CITY OF HIGHLAND VILLAGE

Annual Comprehensive Financial Report for Fiscal Year Ending September 30, 2023

CITY OF
Highland Village

CITY OF
HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2023

Prepared by:

The Finance Department

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2023

TABLE OF CONTENTS

	Page Number
INTRODUCTORY SECTION	
Letter of Transmittal	i – x
Organization Chart	xi
Principal Officials	xii
GFOA Certificate of Achievement	xiii
FINANCIAL SECTION	
Independent Auditor's Report	1 – 3
Management's Discussion and Analysis	4 – 15
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	16 – 17
Statement of Activities	18 – 19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20 – 21
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	23 – 24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statements of Net Position – Enterprise – Water and Wastewater Fund	26 – 27
Statements of Revenues, Expenses, and Changes in Fund Net Position – Enterprise – Water and Wastewater Fund	28

Statements of Cash Flows – Enterprise – Water and Wastewater Fund ..... 29 – 30

Notes to the Financial Statements ..... 31 – 53

Required Supplementary Information:

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund..... 54 – 55

Notes to Budgetary Comparison Information 56

Schedule of Changes in Net Pension Liability and Related Rations ..... 57 – 58

Schedule of Pension Contributions ..... 59 – 60

Schedule of Changes in Total OPEB Liability and Related Rations ..... 61 – 62

Combining and Individual Fund Statements and Schedules

Combining Balance Sheet – Nonmajor Governmental Funds ..... 63 – 64

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds..... 65 – 66

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Debt Service Fund 67

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Corps Leased Parks Fund 68

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Safety Fund 69

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Municipal Court Building Security Fund..... 70

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Municipal Court Technology Fund..... 71

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Utility Drainage Fund..... 72

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – PEG Fee Fund 73

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Development Corporation..... 74

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Park Development Fund 75

Capital Asset Schedules

Comparative Schedule by Source 76

Schedule by Function and Activity ..... 77 – 78

Schedule of Changes by Function and Activity 79

STATISTICAL SECTION (Unaudited)

	TABLE	
Net Position by Component	1	80 – 81
Changes in Net Position	2	82 – 85
Fund Balances – Governmental Funds	3	86 – 87
Changes in Fund Balances – Governmental Funds	4	88 – 89
Assessed Value and Estimated Actual Value of Taxable Property	5	90 - 91
Direct and Overlapping Property Tax Rates	6	92
Principal Property Taxpayers	7	93
Property Tax Levies and Collections	8	94
Ratios of Outstanding Debt by Type	9	95 - 96
Ratios of General Bonded Debt Outstanding	10	97
Direct and Overlapping Governmental Activities Debt	11	98
Legal Debt Margin Information	12	99 - 100
Pledged Revenue Coverage	13	101
Demographic and Economic Statistics	14	102
Principal Employers – Current and Ten Years Ago	15	103
Fulltime Equivalent City Government Employee by Function/Program	16	104
Operating Indicators by Function/Program	17	105 – 106
Capital Asset Statistics by Function/Program	18	107 - 108

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INTRODUCTORY SECTION

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March 26, 2024

Honorable Mayor, City Council
City of Highland Village
Highland Village, Texas

The Finance Department of the City of Highland Village is pleased to submit the Annual Comprehensive Financial Report of the City of Highland Village, Texas, for the fiscal year ended September 30, 2023.

The report is published to provide the City Council, management staff, our citizens and other interested parties with detailed information concerning the financial condition and performance of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City of Highland Village. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

The financial statements included in this report were prepared in accordance with generally accepted accounting principles for local governments as prescribed by the Governmental Accounting Standards Board (GASB), the National Council on Governmental Accounting (NCGA) and the American Institute of Certified Public Accountants (AICPA). To demonstrate further public accountability, the independent accounting firm of Certified Public Accountants, Pattillo, Brown & Hill, L.L.P. whose report is included herein, has audited the City's financial statements.

Pattillo, Brown & Hill, L.L.P., Certified Public Accountants, have issued an unqualified ("clean") opinion on the City of Highland Village's financial statements for the year ended September 30, 2023. The independent auditor's report is located at the front of the financial section of this report.

In addition, a Management's Discussion and Analysis (MD&A) section, immediately following the independent auditor's report includes a narrative introduction, overview, and analysis of the financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

Profile of the Government

The City of Highland Village, incorporated in 1963, is located in the southeastern portion of Denton County on Highway 407, west of Lewisville, 20 miles north of Dallas, 34 miles northeast of Fort Worth, 15 miles southeast of Denton and 8 miles north of Dallas-Fort Worth International Airport. The City is primarily residential.

The City's estimated 2023 population is 16,800, just a 6% increase over the past 10 years. Years of sustained growth in population in previous years has brought the City closer to build-out, evidenced by the reduced number of single-family residential permits now being issued. The City is currently

approximately 96% built out, with approximately 200 single-family residential homes remaining to be built in platted and unplatted parcels. The estimated build out date is 2030. Over the previous five years, the City has averaged 45 single-family residential permits annually, dropping to only three this past year. The average assessed value for existing single-family dwellings on the 2022 Tax Roll was $472,418.

The City of Highland Village operates under a council-manager form of government. Policy-making and legislative authority are vested in a governing council (City Council), consisting of a mayor and six other members, all elected at large. The Council appoints the City Manager, who in turn appoints the heads of the various departments. All council members are elected for two-year terms.

This report includes all funds and account groups of the City. The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and infrastructure; recreational facilities and cultural events. In addition to general government administrative services, the City provides water, sewer and sanitation services. The City is also financially accountable for a legally separate component unit – the Highland Village Community Development Corporation, which is reported as a blended component unit within the City of Highland Village's financial statements (see Note 1A for additional information).

The Council is required to adopt a final budget by no later than September 30th – the close of the fiscal year. This annual budget serves as the foundation for the City of Highland Village's financial planning and control. The budget is prepared by fund, category (personnel, services/supplies, capital) and department (e.g., police, fire, human resources). Departments may reallocate resources within a category, but reallocation between categories or departments requires council approval.

Local Economy

With supply chain issues resolving, and the housing market remaining strong – however cooling somewhat resulting from increased mortgage rates, the North Texas economy has displayed resiliency. Retail sales remain strong, however reflecting more modest increases than in FY 2022. Demand for homes still exceeds the supply, thus home values have held their value. Job creation, especially in Texas, is strong, however somewhat hampered by continuing worker shortages. A number of corporate relocations to this area in recent years will also contribute to the housing market remaining strong, although potentially constrained by the limited housing inventory. The close proximity of the Dallas-Fort Worth International Airport and both cities of Dallas and Fort Worth enhance increasing residential development. There were only 3 single-family permits issued during fiscal year 2022/2023, compared to the previous five-year annual average of 45. In addition, there were 5,735 water connections, with 5,377 being the total residential. Since the City's residential tax base is a significant portion of its annual budget, these increases have the most significant impact on the City's ability to raise revenues to provide the services and conditions for future growth.

Commercial development has remained steady for the past five years, however at reduced levels, reflective of the City approaching buildout. The retail component the City enjoys has certainly enhanced the business and economic outlook for the City. Over the past twenty years, the City has realized gradual economic development, beginning with the completion in 1995 of the 80,000 square foot Highland Village Town Center shopping complex. Phase II of this development was completed in October 1997. Kroger's grocery chain served as the anchor commercial development in the Town Center complex, however closing in FY 2016. The space has now been occupied by Painted Tree. Valley Ridge Center, a professional office complex on FM 407 was also added in 1997. A new bank, United Community Bank, opened for business in 1998 with a temporary building - a permanent bank building was completed in 1999. A merger with Independent Bank in 2012 further solidified the bank for the future.

In January 1999, the City Council initiated implementation of an overlay ordinance for nonresidential development. This change was enacted to create a unique look for Highland Village by requiring a residential look to nonresidential uses. This effort was seen as an economic development issue to ensure quality future development. The completion of Village Parkway in 1998 in the western part of the City provides additional economic stimulus for the City - particularly now that TXDOT has constructed a segment that extends this roadway to Denton as an extension of FM 2499, providing an alternate route to DFW Airport. And this, in turn, greatly enhances the commercial value of the developments at the FM 407 and FM 2499 intersection with the resulting increase in traffic.

Village Creek Center, started in the mid 1980's, added three new buildings in 1999 to complete their site plan. This center includes restaurant facilities and professional office space. In 2000, a two-building professional office development was completed and fully leased, with plans to expand by another building. Also in 2000, Tartan Village Retail Center opened with 6,000 square feet of retail space and Barnett Center constructed a childcare facility. The Barnett Center added an animal hospital in 2002 and a 56,000 square foot assisted living facility was added in 2003, with a 35,000 square foot extensive care addition completed the following year.

Celebrations, a 12,000 square foot banquet hall, was completed in 2003, updated in 2015 with new owners with addition of a chapel – transforming the facility to a wedding / reception facility and renamed as Hidden Pines Chapel. A 17,000 square foot retail center, Tartan Square, was added in 2004. Highland Village Business Park was completed, with two office / professional buildings totaling 16,000 square feet, in early 2005.

With limited remaining undeveloped commercial property in Highland Village – primarily located along FM 407 and FM 2499, the City focused on the remaining undeveloped property to ensure compatible, high-quality development. An additional overlay district was developed for this area to apply standards that will assure the highest and best use, with the potential for increased sales tax revenues while continuing to maintain the high quality of life in Highland Village.

The remaining principal area for retail development, at the intersection of FM 407 and FM 2499, saw substantial activity beginning in 2006. At the northeast corner of this intersection - the Marketplace at Highland Village, a 66-acre retail mixed-use development anchored by a 205,000 square foot Wal-Mart Super center, also including approximately 280,000 square feet of retail, office, and restaurants, saw some of its businesses open in October 2006, with the Wal-Mart store opening in November 2007. The Wal-Mart store is truly one-of-a-kind, with preservation of a 125 year-old pecan tree incorporated into the front entrance of the store.

On the northwest corner of the intersection, The Shops at Highland Village, a 45-acre development opened in September 2007. Barnes & Noble and an AMC Theater anchor the 380,000 square foot center, with upscale retail stores including Banana Republic, Victoria's Secret, as well as a variety of restaurants. The Shops at Highland Village is a pedestrian friendly, lifestyle shopping experience featuring fountains, outside dining areas, and pedestrian walkways – also connecting to the City's Inland Trail system. And the addition of Whole Foods in September 2014, further cements the vitality of this development.

Just east of the Marketplace, The District of Highland Village, initially approved by Highland Village City Council in March 2007, was planned as a "Main Street" center with retail and residential townhomes. Construction of the first phase was completed, but additional construction stalled due to the economic downturn. A redesigned plan was presented to City Council in FY 2011, but denied – prompting a lawsuit by the property owner based on the City's denial of the rezoning request. During the ensuing year, the City and its legal counsel thoroughly defended against the claims made in the lawsuit. City officials and staff worked diligently with the property owners to settle their dispute,

resulting in approval by City Council in November 2012 of a new development plan to provide open air plazas for a mixed-use development of residential lofts, retail, and office professional facilities, offering a unique and desirable high-end loft living lifestyle currently not available in Highland Village and adjacent cities. Construction initiated in 2014 and now entails nineteen buildings of residential and retail totaling over 320,000 square feet.

The City is primarily a residential community with a relatively small commercial base. New residential construction has slowed from previous years, with substantial residential build-out expected in the near future. Roughly 200 potential lots remain, most of these associated with several developments in the western portion of the city, providing very modest residential building activity.

As the City approaches build-out, there is intent of facilitating full potential of limited remaining undeveloped parcels. Accordingly, the City retained a planning firms to accomplish an update to the City's comprehensive plan. And this was accomplished in February 2023.

There are shopping areas with major retail department stores, variety stores and chain stores located in the general vicinity of Highland Village. Wholesale firms, distributing automobile parts and supplies, electronics, lumber, meats, plumbing fixtures, petroleum products and boat distributors are also located in the general vicinity. A plentiful supply of skilled labor is available to industry in the Highland Village area. Denton County reflected an unemployment rate of 3.7% as of September 2023.

Long Term Financial Planning

Economic Development, specifically retail development, has been a primary objective and continues to be desired, however with limited remaining real estate in the city. This will not only provide desired amenities for residents' immediate access, but also an avenue to diversify the City's revenue stream that is highly dependent on property tax. This is especially pertinent as the City nears substantial residential build-out, and accompanying declining growth in assessed valuation. A stated focus of Council has been to maintain the current tax rate. However, with State Legislation implementing revenue caps, it has forced reductions in the tax rate. Coupled with declining growth in new valuation added to the tax roll, this environment provides a challenge to maintain the high level of services provided for in this community. A continued primary focus over the next few years is to maintain current staffing levels through residential build-out and seek efficiencies where possible, without compromising the City's excellent level of service.

Future water supply, pumping facilities, and wastewater treatment will also continue to be a focal point of meeting growth demands through build-out. Highland Village has contracted with the Upper Trinity Regional Water District (UTRWD) to take three million gallons of water per day (MGD). This water supply supplements the City's four productive water wells. A utility rate structure was updated to provide a 70/30 mix of surface water and ground water respectively. Additionally, the utility rate structure was revamped to provide for a substantially higher amount collected at the base level rather than the previous method of relying on higher summer usage with tiered rates. This will provide a more consistent revenue stream that is less dependent on weather patterns and fairer method of distributing costs to residents.

To meet the City's wastewater needs, a long-term solution was finalized in June, 1995, with 1.8 million gallons per day treatment contract with the Upper Trinity Regional Water District's Lakeview Wastewater Reclamation Project, which provided for a participatory contract to meet the City's build out wastewater effluent needs. In the initial stage of this contract, developer contributions (Impact Fees) have paid the bulk of the annual commitments with the existing ratepayers paying a minimal portion of the contract cost. The City's current capacity is at 1.65 MGD, but the City may reinstate the

1.8 MGD capacity at a future date, if needed. The subscribed capacities for both water and sewer are generally expected to be sufficient through build-out.

A municipal drainage utility was formed at the end of FY 2006 to fund a storm water quality program and related drainage projects necessitated by Phase II MS 4 Storm Water Regulations – administered by the Texas Commission on Environmental Quality (TCEQ). A rate of $1.20 per 1,000 square feet of impervious cover was established to fund this program – unchanged until FY 2015 when adjusted to $1.40. The monthly average for most City residents is roughly $5.00. The utility has a staff of five positions and has procured needed equipment. The utility has achieved great success, already completing a number of needed drainage projects - also achieving substantial cost savings by averting contracting of these projects. In FY 2013, an aggressive mosquito abatement program was developed to address the significant increase in West Nile Virus, and is ongoing.

The City continues to address park programs to meet the changing needs of the community. The governing body adopted an ordinance in 1991 to establish Park Development Fees to be paid by the development community. These fees are dedicated to Park Development. This ordinance was revised in 1997 to collect fees for three components – community park, inland trail system, and neighborhood parks. Phase I of the development of Unity Park was completed and was utilized in full for athletic activity in early 1996. In September 1996, $1,850,000 in General Obligation Bonds was issued to complete Phase II of Community Park and provide improvements to other City parks. Phase II of the Park, completed in April 1997, includes lighting, restrooms and concessions. Additional parking and restroom enhancements were added in 2012 funded by a certificate of obligation. An inter-local agreement with the Lewisville Independent School District allows the City and Briarhill Middle School (adjacent to Unity Park) to share common facilities. Completion of Village Park in 2005 provided a neighborhood park in the western quadrant of the City.

An additional primary focus of the City has been the establishment of a comprehensive trail system throughout the City. The initial spine (9.83 miles) of the trail system was initiated with securing a $1 million TEA-21 grant. This was completed in 2006 with a cost of $1.7M. Voters approved a ½ cent 4B sales tax in November 2004 – specifically targeted for trail development and a soccer complex. Further development of the trail system has been primarily funded by the 4B sales tax. A $3M bond issue in 2008 provided funding for the next section – with another $3.8M bond issuance in FY 2009 to further expand the trail system in the City. A continuous trail segment now spans the length of the entire City. Ultimately, 28 miles of trails are envisioned in the Trail Master Plan.

The Doubletree Ranch property, 36 acres in the eastern portion of the City, was purchased in 2009 with funds from a certificate of obligation – with the associated annual debt service to be reimbursed to the City with 4B revenues. In FY 2014 a $6.7M Certificate of Obligation was issued to supplement remediation funds of $2.8M previously received from TxDOT associated with the loss of Copperas Branch Park resulting from the expansion of I-35 - to be redirected to Doubletree Ranch Park, to fund park construction. Accordingly, construction commenced in FY 2014. The Park opened in August 2016, providing open space, trails, and soccer fields, in a pristine setting. In addition, a splash pad, concession barn and pavilion are heavily utilized.

Lakeside Community Park was completed in 2015, also utilizing 4B revenues. This park – with water front access to Lake Lewisville, includes a quarter-mile loop trail, two pavilions, all with fantastic lake views. A number of recreation programs are offered in the City. In particular, baseball and soccer associations have experienced consistent participation, and have remained quite successful.

The City's commitment to parks was buttressed with a 2018 $7.1 M bond issuance following voter approval in 2017. This issuance targeted parks projects of $4.1M and street projects totaling $2.8M. A significant portion of the park initiatives were improvements to Unity Park, highlighted by a new

softball field and rebuild of Kids Kastle playground. This playground was originally constructed in the 1990's as a community build project. Following a fire in the 2000's, it was rebuilt again as a community project. With the play area at the end of its useful life, it was replaced in FY 2020 and enhanced as an all-inclusive playground. This amenity is a tremendous source of pride for the community.

Expiring debt service, coupled with historically low interest rates provided an opportunity for debt issuance in 2022. Accordingly, a comprehensive assessment of park infrastructure, as well as identification of an ongoing revenue source of adding cabins in Pilot Knoll Park for rental, prompted a $6.4M bond issuance – this in conjunction with $8.85M for street improvements.

Major Initiatives

The City's staff, following specific directives of the City Council and City Manager, has been involved in a variety of projects throughout the year. These projects reflect the City's commitment to ensuring that its citizens are able to live and work in an enviable environment. The following are initiatives and programs relating to general governmental functions:

- Received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting for the submitted 2022 Comprehensive Annual Financial Report (CAFR).
- Received the GFOA Distinguished Budget Presentation Award for the Fiscal Year 2023 Budget.
- Tyler Content Manager, providing for document retention in accordance to City policies, has been implemented for Municipal Court.
- Assembled all pertinent lease contracts for submittal to Debt Book software in preparation for implementation of new lease GASB accounting standard for Fiscal Year 2023.
- Continued the utilization of CityWorks Permitting, Licensing, and Land (PLL) program. Permits are being entered electronically, thus enhancing the process by making it more streamlined and transparent.
- Code Enforcement worked 1,177 cases, using CityWorks to track and monitor those cases., and performed 3,414 inspections.
- Issued 24 Certificates of Occupancy for commercial use.
- Registered 251 contractors, which is a decrease to the previous Fiscal Year in which there were approximately 556.
- Implemented the process of adding solar panels, signs and fences to be applied for through the online portal.
- Revised the online process for roof applications so that the process provides for a more complete submittal.
- Installed five new HVAC units at 948B
- The City executed an Agreement with Enterprise Fleet to provide for fleet vehicle replacements
- New Wex fuel system installed
- Several vehicles ordered and received through the Enterprise Fleet Management Program
- We revised the National Highway Institute (NHI) Street Department Certification program in order to take advantage of new training opportunities. As a result more prior learning opportunities exist for street staff to earn college credit towards an AAS in pavement management.
- Worked with LISD to implement a first of its kind Street Department Internship program that provides High School seniors with hands on experience with things like the pavement condition index rating, asset management, and in the field street repairs.
- Constructed the 2023 Street Overlay Project.

- Highland Village curb and gutter streets were swept at least twice as part of the Street Sweeping Program.
- Updated and implemented the 2023 sanding plan during the snow and ice event.
- Street staff conducted traffic studies at various locations throughout the city.
- Updated 3 pedestrian crossings, one on Briarhill and two on Highland Village Road.
- Maintained the water and wastewater systems per TCEQ mandates and maintained the Outstanding Drinking Water System Award from TCEQ.
- Installed over 800 meters as new installs or not reporting to the AMA system.
- Maintained the Fire Hydrant Maintenance Program per TCEQ mandates and ISO rating standards. As part of the program over 800 fire hydrants operated and flow tested.
- Full time Utilities Division employees attended over 500 training hours.
- Achieved 100% communication health on the Badger Beacon AMA system.
- Replaced all ten obsolete Hach CL17 continuous chlorine analyzers with current CL17sc versions.
- Upgraded remaining SCADA Remote Telemetry Units at water and wastewater pump stations.
- Cleaned over 27,235 feet of sanitary sewer main.
- Completed the Lake Vista Well Upgrade Project.
- Excavated and repaired 71 water main breaks, service line leaks, and sanitary sewer line breaks and stoppages.
- Implemented Phase I Water Conservation from May 1, 2023 through September 30, 2023.
- Implemented Phase II Water Conservation from Aug. 9, 2023 through September 7, 2023.
- Implemented automated groundwater purge system at Highland Shores pump station.
- Installed operator interface units at seven lift stations.
- Cleaned approximately 5,200 linear feet of bar ditch and installed six drainage conversions for residents.
- The Police Department successfully completed an on-site audit by the Texas Commission on Law Enforcement (TCOLE) in August 2023 with no deficiencies. Inspection items included personnel files, training files, firearms qualification records, licensing records and other records required by law. The Texas Occupations Code requires that all law enforcement agencies in the state be audited at least once every five (5) years.
- A new Virtual Reality (VR) training program was implemented this year with funding approved as part of the contract with Axon Enterprises, Inc. VR Simulator Training allows officers to work through complex scenarios that have been refined and validated by a diverse network of first responders and subject matter experts. It allows officers to talk and walk through a scenario as they would in the field, allowing them to practice and enhance their skills, and receive real-time feedback from trainers and supervisors. It augments our robust training program by allowing in-house scheduling and practical exercises for unusual and stressful situations. By allowing us to do this in-house training we save thousands of dollars in costs normally expected when sending personnel to various locations throughout the state. Our recent trainings included Alzheimer's, Peer Intervention, Hard of Hearing, Autism, Suicide, Schizophrenia, Domestic Violence, Veteran PTSD and others.
- Standardized 12 Hour Work Shifts for Dispatch – Implemented a standard 12 hour work shift for Communications personnel which mirrors that of police patrol officers. Provides for consistency in scheduling, employee retention, and increased staffing levels. These additional 4 hours have reduced the gap and increased our competitiveness with larger agencies in our area.
- Flock Camera Systems – Eleven (11) new cameras added this year bringing the total to sixteen (16) cameras. Cameras now include six (6) at city parks, five (5) at city entrances and five (5) at the Shops at Highland Village

- Axon Fleet 3 Mobile Video with ALPR – The department finished installation of all new latest technology mobile video systems with integrated Flock license plate readers.
- Police Support Dog Program (Ollie) – The program's vision is to provide support to first responders who face crisis, calm those processing traumatic events, comfort victims of crime and provide affection and positive connections with people.
- TXFallenPD Bike Race Event – Over $79,000 raised for the Texas Police Chief's Foundation to benefit families of Texas officers with line of duty deaths. The TXFallenPD event held in October 2022, was the first time it was held at Doubletree Ranch. It was held in conjunction with National Night Out and a Concert in the Park, as well as with the Sgt Dennis Oliver Event Center Dedication Ceremony.
- Public Safety Toy and Food Drive – Our Toy and Food Drive was a joint effort of both the Police and Auxiliary personnel. Over $40,000 in toys, food and cash were collected directly benefitting our local community. We participated in the First Responder Toy Drive from Five Star Ford along with numerous Denton County Police and Fire agencies.
- Ordered a new Mobile Intensive Care Unit (MICU) to replace a 2016 unit, which will be delivered in 20-24 months.
- Reviewed and updated the current ambulance billing fees.
- Broke ground on the joint training facility with the City of Lewisville and Town of Flower Mound.
- Restructured the Department to implement a peak demand ambulance from 8:00am to 8:00pm to reduce mutual aid from our neighboring departments.
- Implement a new Narcotic tracking system to meet DEA requirements.

Parks completed projects

Unity

- Unity Park synthetic turf project that included the dog park, Kids Kastle entrance, baseball/softball bullpens and soft toss area.

Doubletree Ranch

- Completed Splash Pad resurfacing
- Completed perimeter fence around the Splash Pad
- Completed new chemical storage building for the Splash Pad
- Installed new synthetic turf playground surface at the Doubletree Ranch Park playground
- Chessboard shade replacement
- Installation of storefront doors at the Doubletree Ranch Park Barn
- Food truck parking pads were completed
- Safety barriers around drainage culverts

Pilot Knoll

- Completed and submitted TPWD grant applications for the cabins, day-use area improvements, and boat ramp.
- Completed major repairs to two of the three septic systems
- Added flex base to shoulders of campground road
- Updated electrical at Big Oak pavilion
- Added emergency vehicle sensors to allow quick access for Fire and Police

Copperas Branch

- Installed two new exhaust fans in the restrooms
- Capped sewer line connected to the gatehouse
- Added emergency vehicle sensors to allow quick access for Fire and Police

Highland Village Tennis Courts

- Replaced fencing and windscreens

Sellmeyer Tennis Courts

- Replaced fencing and windscreens

Village Park

- Installed diffusers for better aeration at the Village Park pond.

Marauder Park

- Installed fountain lights and diffusers for better aeration at the Marauder Park pond.

Other

- Implemented new pond maintenance program. Added aeration system, Talapia, pond dye, and helpful bacteria all in an effort to reduce unwanted vegetation
- Started amenity station beautification project – completed Murray Park
- Installed new lightning detection system at Doubletree Ranch Park, Unity Park, and Brazos Park
- Installed 2 memorial benches and 1 memorial tree

Community Volunteer Help for Projects and Events

- Arbor Day tree planting at Doubletree with the Friends of Highland Village Parks Foundation

Completed Events

- Father Daughter Dance
- Easter Egg Hunt
- Two paper shredding events
- Movie in the Park
- Celebrate Highland Village
- Two Concerts in The Park
- TXFallenPD/Concert in the Park **(expanded)**
- Tri-Town Amazing Race
- Wine Down With The Grinch
- Christmas at the Ranch

Relevant financial policies

The City's financial policies address accounting and fiscal operations of the City with emphasis on asset management, operating reserves and fund balances. The City has established policies to maintain a fund balance equivalent to at least 20% of General Fund expenditures. Accordingly, fund balance levels have remained above this level. Ending fund balance was 45% in FY 2020, 46% in FY 2021, 41% in FY 2022, and 49% in FY 2023. Financial policies provide for one-time or non-recurring revenues not being used to finance current ongoing operations. Non-recurring revenues should be used only for one-time expenditures such as long-lived capital needs. They will not be used for budget balancing purposes. Fund balance levels are currently higher than anticipated to be necessary on an on-going basis. Financial policies call for the City to maintain a fund balance within a range of 20% - 25%. A gradual plan is intended to reduce fund balance levels to this range – specifically by funding capital items with excess reserves. A continuing priority is to ensure sufficient revenues are available for the level of operating expenditures.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Highland Village for its annual comprehensive financial report for the fiscal year ended September 30, 2022. This was the 30th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

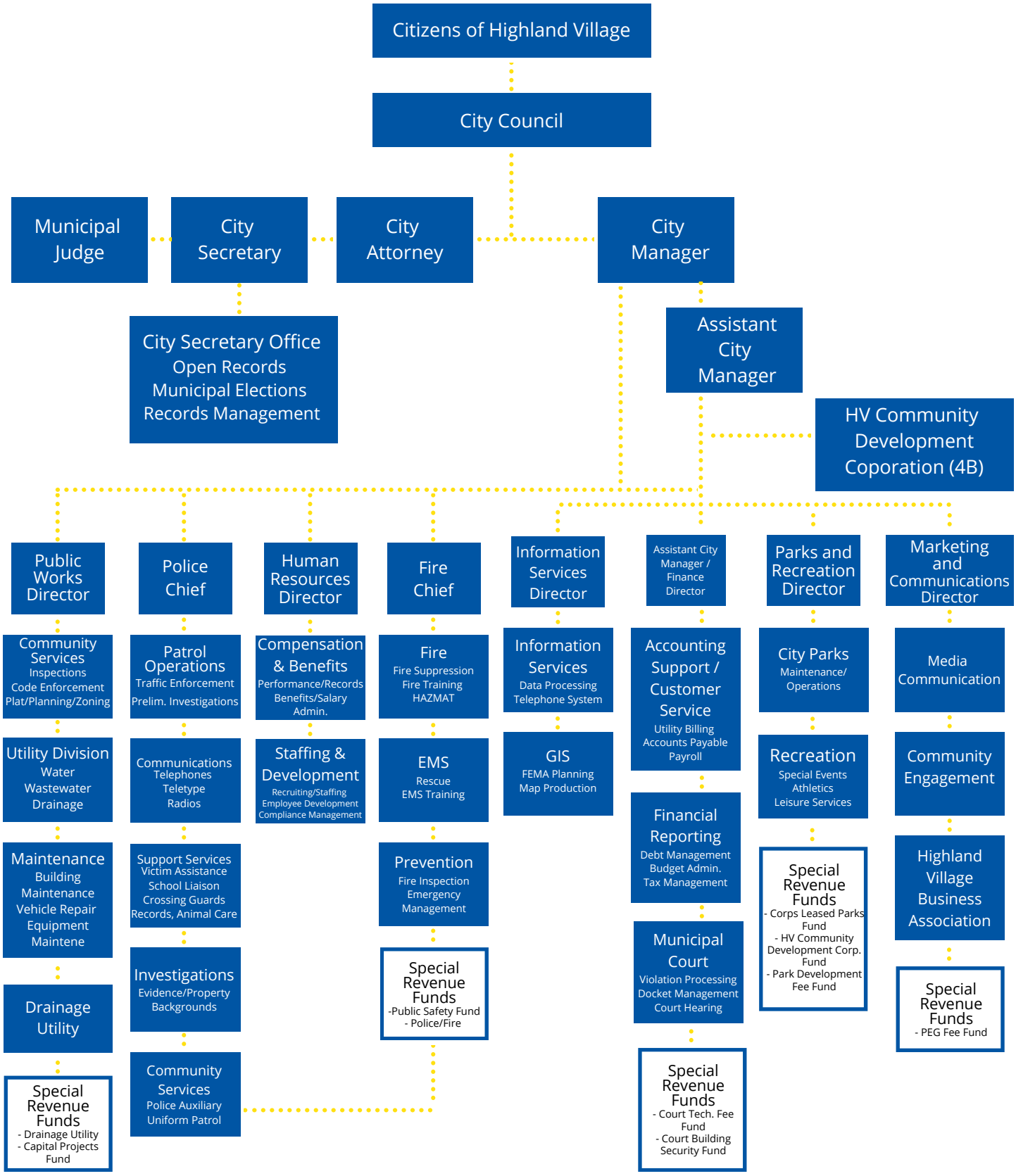
In addition, the City also received the GFOA Distinguished Budget Presentation Award for its annual budget document for fiscal year 2023 – the City's nineteenth consecutive receipt of this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of the Annual Comprehensive Financial Report on a timely basis was made possible by the dedicated service of the entire staff of the finance department. Thanks especially to Heather Miller for her hard work toward the completion of this document and continued commitment to excellence in accounting standards. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

In closing, without the leadership and support of the City Council of the City of Highland Village, preparation of this report would not have been possible.

Sincerely,

Ken Heerman
Assistant City Manager



City of Highland Village,
Texas Organizational Chart
Fiscal Year 2022 - 2023

CITY OF HIGHLAND VILLAGE, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

SEPTEMBER 30, 2023

HOME RULE, COUNCIL-MANAGER FORM OF GOVERNMENT

MAYOR AND CITY COUNCIL

		Term Expires
Daniel Jaworski, Mayor	Place 1	05/2024
Jon Kixmiller, Mayor Pro Tem	Place 2	05/2024
Kevin Cox	Place 3	05/2025
Shawn Nelson	Place 4	05/2024
Rhonda Hurst	Place 5	05/2025
Robert Fiester	Place 6	05/2024
Brian Fiorenza	Place 7	05/2025

ADMINISTRATIVE

Paul Stevens	City Manager
Angela Miller	City Secretary
Ken Heerman	Assistant City Manager
Scott Kriston	Director of Public Works
Doug Reim	Police Chief
Jason Collier	Fire Chief
Kim Lopez	Human Resources Director
Phil Lozano	Director of Parks and Recreation
Sunny Lindsey	Information Services Director
Laurie Mullens	Director of Communications and Marketing

Prepared by:
City's Finance Department

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Highland Village
Texas

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

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FINANCIAL SECTION

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PB&H

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor
and City Council
City of Highland Village, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Highland Village, Texas (the "City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Change of Accounting Principle

As discussed in the notes to the financial statements, in the year ending September 30, 2023, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the City's fiscal year 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated March 28, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and capital asset schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and capital asset schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Comprehensive Financial Report

Management is responsible for the other information included in the annual comprehensive financial report (ACFR). The other information comprises the introductory section and statistical section, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 26, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Highland Village, we offer readers of the City of Highland Village's financial statements this narrative overview and analysis of the financial activities of the City of Highland Village for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City of Highland Village exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $61,452,946. Of this amount, $13,826,300 may be used to meet the government's ongoing obligations to citizens and creditors.

- The City of Highland Village's total net position increased by $3,772,878. A $1,467,871 increase in net position related to governmental activities and an increase of $2,305,007 in net position in business-type activities.

- As of September 30, 2023, the City of Highland Village's governmental funds reported combined ending fund balances of $27,989,802 an increase of $1,662,426 in comparison with the prior year. Approximately 32 percent of this total amount, $9,008,092 is available for spending at the government's discretion (unassigned fund balance).

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $9,008,092 or 43 percent of total General Fund expenditures.

- The City of Highland Village's total debt decreased by $2,335,000 during the current fiscal year. This is attributed to debt payments of $2,335,000. There was no new debt issuance.

OVERVIEW OF THE FINANCIAL STATEMENTS

The management's discussion and analysis are intended to serve as an introduction to the City of Highland Village's basic financial statements. The City of Highland Village's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City of Highland Village's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City of Highland Village's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these items reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Highland Village is improving or deteriorating.

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in the governmental fund financial statements.

In the Statement of Net Position and the Statement of Activities, the City is divided between two kinds of activities:

> **Governmental activities**. Most of the City's basic services are reported here, including the police, fire, community development, public works, information services, park services, municipal court, and general administration. Property taxes, sales taxes, and franchise fees finance most of these activities.

Business-type activities. The City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water, sewer and drainage utilities are reported here.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by state law or bond covenants. However, the City Council also establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. All of the funds of the City of Highland Village can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements.

The City of Highland Village maintains 11 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major funds. Data from the other 8 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's Enterprise Fund (a component of proprietary funds) is identical to the business-type activities that are reported in the government-wide statements, but provide more detail and additional information, such as cash flows.

The City of Highland Village maintains an Enterprise Fund to account for water and sewer services provided to the City's retail and wholesale customers. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Highland Village's budgetary comparison schedules and its progress in funding its obligation to provide pension benefits to its employees.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's combined net position was $61,452,946 as of September 30, 2023. Analyzing the net position of governmental and business-type activities separately, governmental activities' net position was $47,313,149 and business-type activities' net position was $14,139,797. This analysis focuses on the net position (Table 1), and the changes in net position (Table 2).

The largest portion of the City's net position reflects its net investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

TABLE 1

CITY OF HIGHLAND VILLAGE'S NET POSITION

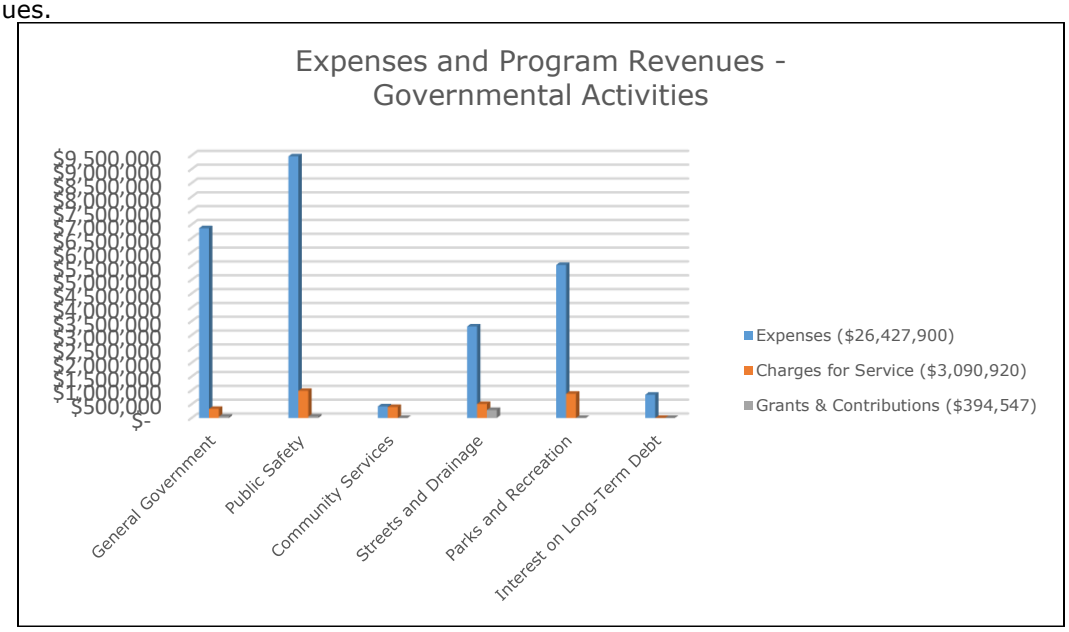
	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Current and other assets	$ 33,591,259	$ 31,272,457	$ 11,711,527	$ 11,182,263	$ 45,302,786	$ 42,454,720
Capital assets	57,269,408	57,887,896	14,532,831	14,378,662	71,802,239	72,266,558
Total assets	90,860,667	89,160,353	26,244,358	25,560,925	117,105,025	114,721,278
Deferred outflows of resources	4,527,277	1,464,528	582,253	220,086	5,109,530	1,684,614
Long-term liabilities	42,655,865	33,909,175	10,441,127	8,747,973	53,096,992	42,657,148
Other liabilities	2,460,173	5,047,461	2,200,477	4,837,775	4,660,650	9,885,236
Total liabilities	45,116,038	38,956,636	12,641,604	13,585,748	57,757,642	52,542,384
Deferred inflows of resources	2,958,757	5,822,967	45,210	360,473	3,003,967	6,183,440
Net position:						
Net investment in capital assets	38,193,458	39,283,602	5,643,295	6,028,561	43,836,753	45,312,163
Restricted	1,942,776	1,263,887	1,847,117	1,292,225	3,789,893	2,556,112
Unrestricted	7,176,915	5,297,789	6,649,385	4,514,004	13,826,300	9,811,793
Total net position	$ 47,313,149	$ 45,845,278	$ 14,139,797	$ 11,834,790	$ 61,452,946	$ 57,680,068

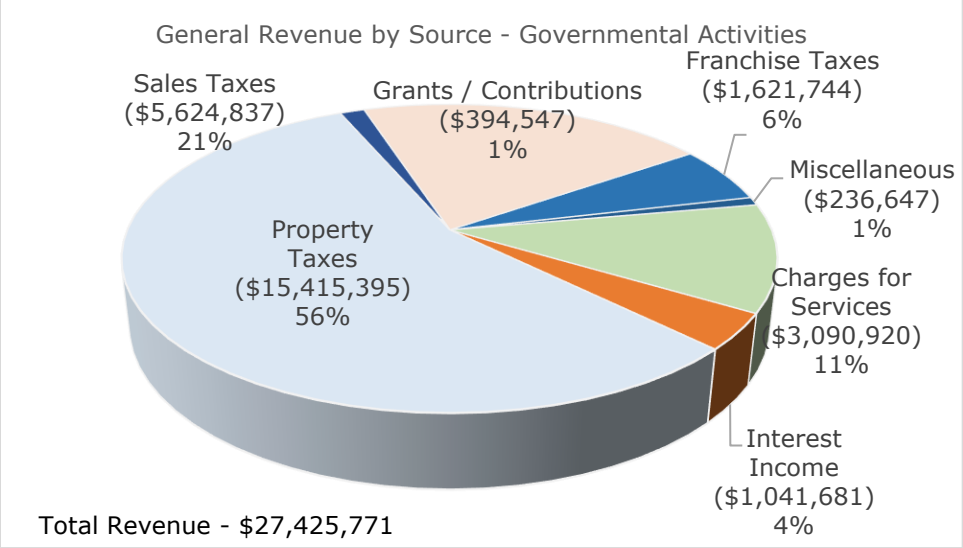
The following table (Table 2) provides a summary of the City's operations for the year ended September 30, 2023. Governmental activities increased the City's net position by $1,467,871 and business-type activities increased the City's net position by $2,305,007, resulting in a net $3,772,878 increase in total net position.

TABLE 2
CITY OF HIGHLAND VILLAGE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Revenues:						
Program revenues:						
Charges for services	3,090,920	2,576,372	10,705,342	$ 10,722,176	$ 13,796,262	$ 13,298,548
Operating grants and contributions	359,938	76,636	1,624,016	1,547,662	1,983,954	1,624,298
Capital grants and contributions	34,609	61,101	80,830	215,479	115,439	276,580
General revenues:						
Property taxes	15,415,395	14,062,081	-	-	15,415,395	14,062,081
Sales taxes	5,624,837	5,362,527	-	-	5,624,837	5,362,527
Franchise fees	1,621,744	1,617,664	-	-	1,621,744	1,617,664
Interest income	1,041,681	235,839	362,311	49,392	1,403,992	285,231
Miscellaneous	236,647	86,539	-	-	236,647	86,539
Total revenues	27,425,771	24,078,759	12,772,499	12,534,709	40,198,270	36,613,468
Expenses:						
General government	6,862,074	6,029,386	-	-	6,862,074	6,029,386
Public safety	9,462,729	8,899,370	-	-	9,462,729	8,899,370
Community services	418,562	374,687	-	-	418,562	374,687
Streets and drainage	3,309,502	3,026,367	-	-	3,309,502	3,026,367
Parks and recreation	5,534,709	5,052,548	-	-	5,534,709	5,052,548
Interest on long-term debt	840,324	1,069,211	-	-	840,324	1,069,211
Water and wastewater	-	-	9,997,492	10,445,972	9,997,492	10,445,972
Total expenses	26,427,900	24,451,569	9,997,492	10,445,972	36,425,392	34,897,541
change in net position before transfers	997,871	(372,810)	2,775,007	2,088,737	3,772,878	1,715,927
Transfers	470,000	470,000	(470,000)	(470,000)	-	-
Change in net position	1,467,871	97,190	2,305,007	1,618,737	3,772,878	1,715,927
Net position, beginning	45,845,278	45,748,088	11,834,790	10,216,053	57,680,068	55,964,141
Net position, ending	$ 47,313,149	$ 45,845,278	$ 14,139,797	$ 11,834,790	$ 61,452,946	$ 57,680,068

Governmental activities. The City's expenses for governmental activities are detailed below – with associated program revenues.




General Revenue by Source - Governmental Activities
Sales Taxes ($5,624,837) 21%
Grants / Contributions ($394,547) 1%
Franchise Taxes ($1,621,744) 6%
Miscellaneous ($236,647) 1%
Property Taxes ($15,415,395) 56%
Charges for Services ($3,090,920) 11%
Interest Income ($1,041,681) 4%
Total Revenue - $27,425,771

Net position associated with governmental activities increased $1,467,871 in FY 2023 – this compared to a $97,190 increase in net position in FY 2022.

- FY 2023 revenues increased $3,347,012 from the previous year. Key elements of this increase is as follows:
    - Charges for services increased $514,548 reflective of increased governmental collections ($13,776), Public Safety ($402,022 – primarily related to LISD participation for funding of school resources officers and Parks ($77,787 – largely due to increased park entry fees collected).
    - Operating grants and contributions increased 283,302 primarily reflective of DCTA TRip fund funds (Transportation Investment Program) provided to the City. This program provides for fifteen (15) percent of DCTA's net available fund balance from the previous fiscal year, divided among member cities (Denton, Lewisville, and Highland Village) proportional to sales and use tax receipts for the previous fiscal year.
    - Property taxes increased by $1,353,314 during the year. Most of this increase is the product of a 10.4% increase in the taxable assessed value of the property, partially mitigated by a decrease in the property tax rate.
    - Sales tax revenue increased by $262,310. Collected sales tax were increased 5% from the prior year.
    - Investment earnings increased by $805,842, resulting from increased yields.

- FY 2023 expenses increased $1,976,331 from FY 2022, reflecting inflation and increased service demand. The total expense amount of $26,427,900 was less than total revenues – creating a $997,871 increase in net position before transfers. This compares to a $372,810 decrease in FY 2022 net position.
    - General government expenses increased by $832,692. This increase is primarily attributed to expenditures associated with expenses associated with completion of the facilities security upgrades totaling $303,997 as well as emergency repairs for both electric and plumbing in city facilities of $176,817. Increased depreciation and net pension liability substantially accounted for the remainder of the increase.
    - Public Safety expenses increased $563,355. Increases in net pension liability of $818,266, depreciation of $90,152, and compensated absences of $87,189 were partially offset by a decrease resulting in an expenditure last year for the City's pro-rata portion of constructing a regional fire training facility.
    - Streets and drainage expenses increased $283,135. A deferral of a street overlay project from FY 2022 to FY 2023 accounts for $174,840 of this increase. An increase in net pension liability of $83,813 also contributed to this increase.
    - Parks and recreation expenses increased by $482,161. Increases in net pension liabilities of $195,573, compensated absences of $64,311, depreciation of $57,874, and recreational programming of $68,130 contribute to this increase.

- Interest on long-term debt decreased $228,887, as the City issued debt in FY 2022.

Business-type activities: Business-type activities reflected a $2,305,007 increase in the City's net position – this compared to a $1,618,737 increase in net position in FY 2022. Overall, revenue exceeded expense and transfers.

- Charges for service decreased $16,834 from last year's total of $10,722,176. Water sales slightly increased from the previous year, offset by reduced sewer sales.

- Operating and capital grants and contributions decreased by $76,354. $1,624,016 in Coronavirus State and Local Fiscal Recovery Funds were expended in FY 2023, compared to $1,547,662 in FY 2021. Collected impact fees of $80,830 was a $134,649 reduction from last year.

- Interest income increased $312,919, reflective of higher yields.

- Expenses reflected a decrease of $448,480 from last year largely related to decreased maintenance costs. FY 2022 included expenses of $542,450 related to painting a ground water storage tank that was not repeated in FY 2023.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $27,989,802 an increase of $1,662,426 in comparison with the prior year. Approximately 32 percent of this total amount, or $9,008,092, constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is not available for spending because it has already been restricted - $16,473,001, committed - $1,094,162, assigned - $1,384,303, or non-spendable - $30,244.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $9,008,092, while total fund balance was $10,422,639. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 43 percent of total General Fund expenditures, while total fund balance represents 50 percent of that same amount.

The original budget for FY 2023 reflected a $547,581 drawdown of the projected fund balance of $7,077,867, primarily to fund capital equipment purchases – while still providing for sufficient reserve balances. Actual ending fund balance for FY 2022 was $8,228,716. For FY 2023, revenues of $21,325,789 exceeded the budgeted amount by $246,124, while expenditures of $20,892,418 in FY 2023 were less than the budgeted amount by $450,324. Additionally, $734,968 of the total expenditure total was offset by financing sources of leases issued, coupled with $471,892 for SBITA's issued. These variances comprised the majority of the increase in fund balance of $2,193,923. Key factors affecting fund balance are as follows:

- Total General Fund revenues of $21,325,789 were increased from FY 2022 by $2,440,605.

  - Taxes reflected a $1,406,245 increase from FY 2022.
    - Property tax revenue increased $1,215,729 largely resulting from a 14.3% increase in assessed valuation, partially offset by a property tax decrease.
    - Sales tax revenue increased $186,436.
    - Franchise fees slightly increased by $4,079.

  - Licenses, permits and fees increased $67,834 reflecting modest increase in commercial building activity as well as increases in recreation programming participation in FY 2023.

  - Investment earnings increased $465,590 resulting from increased yields.

  - Charges for Services revenues experienced a $294,901 increase, related to LISD participation for funding of school resources officers and increased collections from ambulance service fees.

- Total General Fund expenditures of $20,892,418 represent an increase of $954,518 from the previous year.
    - Personnel expenditures totaling $13,789,463 reflected a slight decrease of $2,787 from FY 2022. Overall salary increases of 5% were partially offset by reductions associated with turnover.
    - Services / Supplies expenditures totaling $5,602,592 increased by $401,466.
        - Supplies / Equipment increased $350,718. The majority of this increase stemmed from the remaining expenditures associated with the Highland Village facilities security upgrades project totaling $303,997, as well as unanticipated expenditures affecting City facilities. An emergency electrical repair resulted in expenditures totaling $153,817. And repair of a slab leak in the Fire Department required expenditures totaling $61,475. In addition, there was an increased cost related to maintaining City vehicles of $84,745. These increases were partially offset by decreases in fuel costs ($-79,456) and park maintenance ($-38,405).
        - Street Maintenance increased $174,840 largely related to delayed implementation of the FY 2022 street overlay program, carried over to FY 2023.
        - Capital lease payments decreased, reflective of a one-time proportionate payment of $386,591 provided to the City of Lewisville last fiscal year for the construction of a joint regional fire training facility.
        - Increased recreation programming in FY 2023 resulted in a $68,130 increase.
        - Data processing increased $63,964.
    - Capital Outlay expenditures increased by $534,851 in FY 2023, largely due to provision for capital leases issued of $734,968 as well as software subscriptions agreements of $513,893.
- Total Other Financing Sources (Uses) reflected a net total of $1,760,552 – a $748,107 increase from FY 2022. Base elements of this total include transfers-in of $470,000, $28,000, and $16,000 respectively, from the Utility Fund, Highland Village Economic Development Corporation and Drainage Utility Fund for support functions provided by the General Fund, as well as a transfer-in of $18,307 from the Public Safety Fund related to collected Child Safety Fees. These transfers-in were partially offset by transfers to the Drainage Utility Fund of $16,000 for the City's drainage fees. Also included were financing sources of $734,968 and $471,892 related to issuance of leases and software subscription agreements, respectively.

The Capital Projects Fund ended the year with a $14,427,013 fund balance, decreased $1,461,857 from FY 2022 primarily related to addressing projects associated with the recent debt issuance of $15.3M in FY 2022.

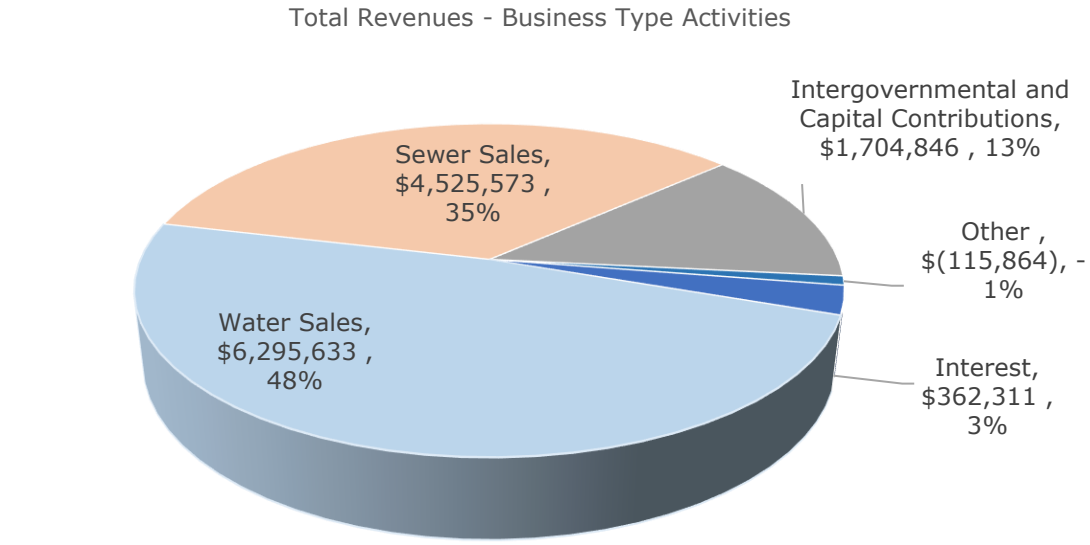
Remaining governmental funds reported a combined ending fund balance of $3,140,150, reflecting an increase of $930,360.

- Collective revenues of $5,285,499 for these funds reflected an increase of $244,717 from the previous year, inclusive of the Debt Service Fund which was reported separately last year. The increase was largely reflective of increased tax collections for Debt Service ($102,812) as well as increased sales tax collections of $75,874 in the Highland Village Community Development Fund. This was buttressed by an $83,851 increase in investment earnings resulting from increased yields. This was partially offset by a $28,160 decrease in intergovernmental primarily reflective of decreased donations in FY 2023 associated with the TPCA (Texas Police Chiefs Association) bike race to raise money for Texas fallen police officers.
- Combined expenditures of $4,308,832 decreased $377,040. The decrease is largely related to decreased debt service of $357,291. Also decreased are expenditures related to parks and recreation across the Corps Leased Parks Fund ($-32,961), and Highland Village Community Development Fund ($-15,654). Public safety expenditures increased $36,249 largely reflective of the TPCA bike race event.
- Total Other Financing Sources (Uses) reflected a net total of $-46,307 – a net $122,165 decrease from FY 2022. In the Highland Village Community Development Corporation (HVCDC), a reduced use of $272,776 in FY 2023, reflective of decreased debt service resulting from refunded debt in FY 22 that is transferred to the Debt Service Fund to offset debt service issued on behalf of the HVCDC, was offset by reduced financing (net change of $-394,891) in the Debt Service Fund stemming from a debt issuance in FY 2022.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

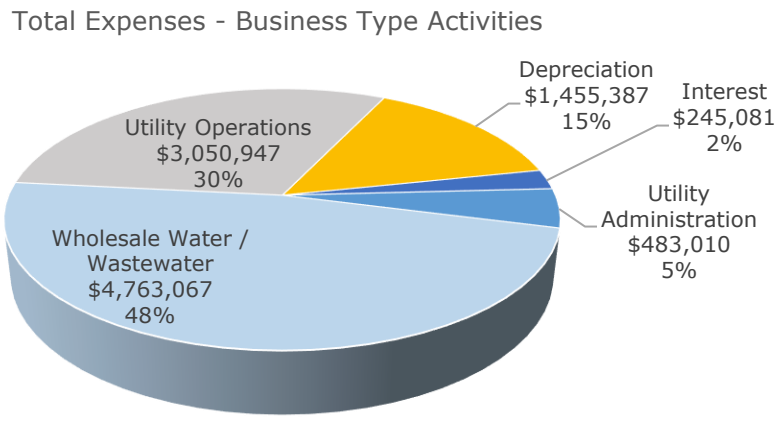
Net position in the Enterprise Fund totaled $14,139,797 at the end of the fiscal year 2023, an increase of $2,305,007, or 19.5%. Included in net position is $1,279,340 restricted for capital projects, $567,777 restricted for debt service, and unrestricted net position of $6,338,608. The remaining net position balance of $5,954,072 consists of net investments in capital assets.

- Utility operating revenues of $10,705,342 reflected a decrease of $16,834 or .16%, in FY 2023.
    - Water sales increased $124,430.
    - Sewer sales decreased $113,636.
    - Other fees decreased $10,935.


Total Revenues - Business Type Activities
Intergovernmental and Capital Contributions, $1,704,846 , 13%
Sewer Sales, $4,525,573 , 35%
Other , $(115,864), -1%
Water Sales, $6,295,633 , 48%
Interest, $362,311 , 3%

Total Revenues $12,772,499

- Utility operating expenses of $9,767,166 decreased $431,719, or 4.2%.
    - Administration expenses increased $11,791 in FY 2023.
    - Maintenance and Operations decreased $547,824.
        - Wholesale water / sewer treatment cost increased $268,102.
        - Personnel expenses increased $182,031.
        - Services and supplies decreased $949,139.
            - Utilities decreased $36,810.
            - Engineering decreased $103,386.
            - Well lot maintenance decreased $276,969 primarily relating to upgrade of storage tank in FY 2022, not repeated this year.
            - Sewer line maintenance increased $65,149.
            - Lift Station maintenance decreased $107,471, stemming from pump replacements in the previous year.
            - Water storage tank maintenance decreased $542,450, largely related to upgrade of Southwood water well.
    - Depreciation increased in FY 2023 by $104,314.



Total Expenses $9,997,492

GENERAL FUND BUDGETARY HIGHLIGHTS

During fiscal year 2022-2023, the City Council of the City of Highland Village amended the budget for the General Fund on one occasion, resulting in a decrease in budgeted expenditures of $213,000. The majority of these appropriations relate to actions taken to fund unbudgeted items during the fiscal year, including the acceptance of grants during the year.

Staff reviewed each supplemental appropriation throughout the year and determined that revenues provided sufficient reserves to recommend their increase. All budget amendments presented had either offsetting reductions or sufficient available fund balances reserves.

For fiscal year 2022-2023, actual expenditures on a budgetary basis were $20,892,418. This total was less than the original budgeted expenditures of $21,342,742 by $450,324, and $237,324 below the revised budget. The amendment requests approved during the year are summarized following:

- Personnel expenditures decreased by a total of $578,000 which consists of increases in City Manager ($42,000), Finance ($35,000), Communication / Marketing ($25,000), City Secretary ($10,000), Information Technology ($30,000), and Community Services ($10,000), offset by decreases in the Police ($-520,000), and Fire ($-175,000) and Streets ($-35,000) Departments. These changes resulted from mid-year adjustments, turnover, personnel changes, insurance coverage elections, etc. In addition, the amendments addressed the reallocation of some items budgeted in a single department, such as incentive pay, with actual expenditures charged to the respective departments.
- Services and supplies expenditures increased in total by $365,000 which consists of the following amendments:
    - City Manager – Increased $50,000 resulting from additional charges associated with the Comp Plan update.
    - Police – Increased $50,000 related to an adjustment for the Axon Bodycam contract ($30,000), and an additional $20,000 for electrical/HVAC/plumbing upgrades to the animal shelter.
    - Recreation – Increased $5,000 related to the Concert in The Park program.
    - Community Services – Increased $40,000 for additional Planning/Review services.
    - Maintenance - Increased $220,000 related to electrical repairs to City Hall of $153,900 (offset by corresponding insurance proceeds) and the leasing program with Enterprise replacing more vehicles than anticipated (increased by $100,000) to catch up with the overall replacement schedule following supply chain shortages in the preceding years.

Actual revenue on a budgetary basis was $21,325,789 compared to the original budget of $20,277,158, providing a positive variance of $1,048,631. Actual tax revenues were $305,066 more than the budget amount, primarily related to Sales Tax receipts. Licenses, permits and fees actual revenues were more than budgeted by $37,397. Investment earnings were $439,482 more than budgeted, reflective of higher yields. Charges for services were $214,716 above the budgeted amount primarily related to LISD participation for funding of school resources officers and increased collections from ambulance service fees.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. The City's investment in capital assets, for its governmental and business-type activities as of September 30, 2023, amounted to $71,089,581 (net of accumulated depreciation). This investment in capital assets includes land, building, park facilities, roads, bridges, water and sewer lines, machinery, equipment, and right-to-use assets.

Major capital asset events during the current fiscal year included the following:

Project	Amount
2022 Street Improvement Project	$564,150
Sandero, Bexar, Victoria, Malibu Waterlines	464,906
Chapel Hill Sidewalk	260,017
HV Road Sidewalk Phase III	219,528
Doubletree Ranch Park Splash Pad & HV Tennis Center Fencing	201,332
Sellmeyer/Doubletree Tennis Parking Lot	177,079
Kids Kastle Entry K-9 Turf	74,035
Artificial Turn Doubletree Ranch Park Playground	71,226
Replace Force Mains WW Lift Stations 2&7 Water Lines	54,370
Doubletree Ranch Barn Improvements	49,110
2018 Street Improvements Projects	49,015
Artificial Turf Unity Park Softball	48,356
Lake Vista Well Lot and Facilities	41,000
Pilot Knoll Park Improvements	39,575
Victoria Park Sidewalk Improvements	34,270
Brazos Blvd KCS RR Street Reconstruction	33,908
Unity Park Detention/Retention Facility	33,790
Glenmere, Camden, Turpin, La Mesa Water Lines & Sewer Lines	28,548
Groundmaster Mower	27,772
Recreation Trailer	21,008
Kids Kastle Entrance Artificial Turf	13,603

TABLE 3

CITY OF HIGHLAND VILLAGE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
Land	$ 17,183,848	$ 17,183,848	$ 75,713	$ 75,713	$ 17,259,561	$ 17,259,561
Land improvements	15,011,139	14,432,493	-	-	15,011,139	14,432,493
Buildings and improvements	4,161,147	4,620,430	574,101	646,022	4,735,248	5,266,452
Distribution system	-	-	11,482,993	12,603,907	11,482,993	12,603,907
Equipment and machinery	2,249,515	2,923,791	603,875	638,813	2,853,390	3,562,604
Infrastructure	16,046,457	15,830,826	7,374	7,374	16,053,831	15,838,200
Intagibles	-	5,689	-	-	-	5,689
Right to use equipment	923,001	298,159	52,066	-	975,067	298,159
Right to use building	345,405	360,368	-	-	345,405	360,368
SBITA	398,075	-	758,101	-	1,156,176	-
Construction in progress	950,821	2,232,292	978,608	406,833	1,929,429	2,639,125
Total capital assets	$ 57,269,408	$ 57,887,896	$ 14,532,831	$ 14,378,662	$ 71,802,239	$ 72,266,558

Additional information on the City's capital assets can be found in Note E on pages 41-42 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonds outstanding of $37,105,000. Of this amount, $29,165,000 is tax-supported debt. The remainder of the City of Highland Village's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

TABLE 4

CITY OF HIGHLAND VILLAGE'S OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2023	2022	2023	2022	2023	2022
General obligations	$ 15,110,000	$ 16,620,000	$ 5,475,000	$ 6,150,000	$ 20,585,000	$ 22,770,000
Combination tax and revenue certificates of obligation	14,055,000	14,145,000	2,465,000	2,525,000	16,520,000	16,670,000
	$ 29,165,000	$ 30,765,000	$ 7,940,000	$ 8,675,000	$ 37,105,000	$ 39,440,000

The City's total debt decreased by $2,335,000 during the current fiscal year. A key factor in this decrease was debt payments of $2,335,000.

The City's tax supported debt is rated "AAA" by Standards & Poor's. The current ratio of tax-supported debt to assessed value of all taxable property is 1.04 percent.

Additional information on the City's outstanding debt can be found in Note G and H on page 43-46 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2023-2024 budget was adopted by ordinance on September 18, 2023. The following summarizes the significant factors that were considered in adopting the budget.

- General fund revenues are budgeted to increase by 6.4% over the FY 2023 budget with property taxes making up 65% of the general fund budgeted revenues. The property tax taxable values increased by 14.3%, prompting a tax rate reduction to remain within revenue cap constraints. Accordingly, the Council approved a tax rate of $.501394 per $100 valuation, reduced from the previous $0. 546825 tax rate. The updated tax rate is comprised of $0.433681 apportioned to maintenance and operation expenses and $0.067713 apportioned to pay interest and principle maturities on outstanding debt. Sales tax represents 18% of the budget general fund revenues. Sales tax collections are expected to increase 8% over the FY 2023 budgeted amount.

- General fund expenditures are budgeted to increase by 7.3% over the FY 2023 original budget.

    - Personnel expenditures represent 67% of budgeted general fund expenditures. The proposed total increase in personnel is $847,371 or 5.8% over FY 2023. The majority of this increase, $778,856, is related to an overall 7.25% salary increase. Two supplemental requests were approved:
        - Associated overtime increase for communication officers resulting from switch to a 84 hour bi-weekly pay period totaling $29,817.
        - Addition of two full-time positions, along with seasonal part time hours to accommodate in-house mowing of trail rights-of-way and municipal sites that are currently contracted. The total cost is proportionally shared with the HV Community Development Corporation. The related General Fund personnel cost is $120,464.

        - Base salaries will experience a $132,938 reduction resulting from turnover of tenured employees.
        - Health insurance is expected to increase by $78,515.

- Supplies and services expenditures represent 32% of the budgeted general fund expenditures. Expenditures in this category are expected to increase by $936,933 or 14.8% from FY 2023.
    - Professional Services will increase $115,133 – largely attributed to a supplemental request of $104,100 for a comprehensive facilities assessment of all municipal buildings. A reduction of $124,000 for contract mowing stemming from a decision to move trail ROW mowing in-house was offset by an increases in various technology items totaling $116,000, as well as $20,000 earmarked for a resident satisfaction survey.
    - Supplies and equipment provide for a $289,261 decrease, stemming primarily from previous year municipal facilities security upgrade expenditures ($396,384) not repeated and decrease in fuel prices ($79,000). This was partially offset by approved supplemental items for Police (addition of replacement body armor ($76,000), Red Dot Sights for issued handguns ($36,500), and $34,400 for opticom emergency vehicle signal preemption for police vehicles (changing approaching traffic signals to green in emergencies) and Parks ($50,000 to convert tennis courts at Unity Park to Pickleball).
    - Other significant increases were:
        - $647,000 increase related to Enterprise vehicle leasing program. Supply-chain issues the past couple of years resulted in limited availability of new vehicles. Increased availability will allow for needed replacements in FY 2024.
        - A supplemental item to allow the software associated with the entry gates at City parks to integrate with recreation software system for a cost of $119,000.
        - An additional payment of $149,000, associated with an agreement with the cities of Lewisville and Flower Mound to participate in a joint fire training facility - required due to escalation of construction costs subsequent to the initial agreement.
        - Replacement of wayside horns at rail crossing for a cost of $52,000.

    - Capital outlay expenditures represent 1% of the budgeted general fund expenditures. Capital expenditures are budgeted at $159,000 - a $231,900 or 59% decrease from the FY 2023 original budget. This is comprised of $75,000 related to anticipated upfront capital for peripheral items for new replacement vehicles with the lease program, Street Dept sander ($15,000), and two Parks mowers ($64,000).

- The water sales are budgeted at $5,780,964, representing an increase of 5.4% from the budget for FY 2023. Projections are based on normalized usage determined by the past several years history – applied to the projected home count. Wastewater sales are budgeted at $4,556,950, representing a 1.5% decrease from FY 2023.

- Water and wastewater expenses are budgeted at $9,381,273 representing a $711,741 or 7.6 % increase compared to FY 2023 budget. Various elements accounted for the increase:

    - Increased costs for wholesale water and effluent treatment from the Upper Trinity Regional Water District ($179,182), coupled with Well Lot Maintenance primarily related to upgrades at the Lake Vista well lot ($150,100).
    - Personnel increased $99,730 resulting from the 7.25% overall salary increases.
    - Utilities increased $80,000.
    - Capital increased $94,500 related to the scheduled replacement of a John Deere Gator and Vac-Tron trailer.

Information on commitments and contingencies is detailed in Note K on pages 52 of this report.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Highland Village, Finance Department, 1000 Highland Village Road, Highland Village, TX, 75077.

BASIC
FINANCIAL STATEMENTS

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 28,528,919	$ 6,673,358	$ 35,202,277
Receivables (net of allowances for uncollectibles)			
Taxes	1,600,767	-	1,600,767
Accounts	258,723	2,090,298	2,349,021
Leases	2,775,192	-	2,775,192
Other	108,620	4,557	113,177
Due from other governments	288,794	-	288,794
Inventories and prepaid items	30,244	237,738	267,982
Restricted cash and investments:			
Reserved bond debt service	-	567,777	567,777
Capital improvements	-	763,639	763,639
Construction	-	1,279,340	1,279,340
Customer deposits	-	94,820	94,820
Capital assets:			
Nondepreciable	18,134,669	1,054,321	19,188,990
Depreciable, net	39,134,739	13,478,510	52,613,249
Total capital assets	57,269,408	14,532,831	71,802,239
Total assets	90,860,667	26,244,358	117,105,025
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	162,533	51,041	213,574
Related to pensions	4,285,829	521,608	4,807,437
Related to OPEB	78,915	9,604	88,519
Total deferred outflows of resources	4,527,277	582,253	5,109,530

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable	1,694,690	974,659	2,669,349
Accrued liabilities	527,414	103,374	630,788
Retainage payable	21,163	19,821	40,984
Unearned revenue	92,621	966,580	1,059,201
Accrued interest	124,285	41,223	165,508
Customer deposits	-	94,820	94,820
Noncurrent liabilities:			
Due within one year:			
Long-term debt	2,599,331	959,069	3,558,400
Total OPEB liability	7,996	973	8,969
Due in more than one year:			
Arbitrage liability	178,537	-	178,537
Long-term debt	32,354,729	8,566,438	40,921,167
Net pension liability	7,202,569	876,589	8,079,158
Total OPEB liability	312,703	38,058	350,761
Total liabilities	45,116,038	12,641,604	57,757,642
DEFERRED INFLOWS OF RESOURCES			
Related to leases	2,674,702	-	2,674,702
Deferred gain on refunding	-	10,639	10,639
Related to pensions	84,097	10,235	94,332
Related to OPEB	199,958	24,336	224,294
Total deferred inflows of resources	2,958,757	45,210	3,003,967
NET POSITION			
Net investment in capital assets	38,193,458	5,643,295	43,836,753
Restricted for:			
Debt service	30,298	567,777	598,075
Community development	1,361,972	-	1,361,972
Public safety	110,746	-	110,746
Utility drainage	273,455	-	273,455
Public broadcasting	166,305	-	166,305
Capital projects	-	1,279,340	1,279,340
Unrestricted	7,176,915	6,649,385	13,826,300
Total net position	$ 47,313,149	$14,139,797	$ 61,452,946

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	$ 6,862,074	$ 330,296	$ 18,275	$ 31,909
Public safety	9,462,729	982,365	52,869	-
Community services	418,562	396,673	-	-
Streets and drainage	3,309,502	506,041	288,794	-
Parks and recreation	5,534,709	875,545	-	2,700
Interest on long-term debt	840,324	-	-	-
Total governmental activities	26,427,900	3,090,920	359,938	34,609
Business-type activities:				
Water and wastewater	9,997,492	10,705,342	1,624,016	80,830
Total business-type activities	9,997,492	10,705,342	1,624,016	80,830
Total primary government	$36,425,392	$13,796,262	$ 1,983,954	$ 115,439

General revenues:
- Taxes:
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Franchise
  - Sales
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (6,481,594)	$ -	$ (6,481,594)
(8,427,495)	-	(8,427,495)
(21,889)	-	(21,889)
(2,514,667)	-	(2,514,667)
(4,656,464)	-	(4,656,464)
(840,324)	-	(840,324)
(22,942,433)	-	(22,942,433)
-	2,412,696	2,412,696
-	2,412,696	2,412,696
(22,942,433)	2,412,696	(20,529,737)
13,300,290	-	13,300,290
2,115,105	-	2,115,105
1,621,744	-	1,621,744
5,624,837	-	5,624,837
1,041,681	362,311	1,403,992
236,647	-	236,647
470,000	(470,000)	-
24,410,304	(107,689)	24,302,615
1,467,871	2,305,007	3,772,878
45,845,278	11,834,790	57,680,068
$ 47,313,149	$ 14,139,797	$ 61,452,946

CITY OF HIGHLAND VILLAGE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	General	Capital Projects
ASSETS		
Cash and investments	$ 10,574,240	$ 14,915,972
Receivables, net		
Taxes	1,265,359	-
Accounts	258,723	-
Leases	2,775,192	-
Other	42,942	50,132
Due from other governments	-	288,794
Prepaid items	30,244	-
Total assets	14,946,700	15,254,898
LIABILITIES		
Accounts payable	1,045,897	539,091
Accrued liabilities	488,736	-
Unearned revenue	12,563	-
Total liabilities	1,547,196	539,091
DEFERRED INFLOWS OF RESOURCES		
Related to leases	2,674,702	-
Unavailable revenue:		
Property taxes	123,537	-
Municipal court fines	39,759	-
Ambulance	138,867	-
Grants	-	288,794
Total deferred inflows of resources	2,976,865	288,794
FUND BALANCES		
Nonspendable - prepaid items	30,244	-
Restricted for:		
Debt service	-	-
Public parks, recreation, and related projects	-	-
Public safety - law enforcement operations	-	-
Utility drainage operations	-	-
Capital projects	-	14,427,013
Public broadcasting	-	-
Committed - park development and maintenance	-	-
Assigned for:		
Subsequent year's budget - appropriation of fund balance	807,495	-
City manager- professional services	1,655	-
Finance - professional services	98,729	-
Community services - professional services	172	-
Information services - professional services	44,163	-
Public safety - police - services and supplies	57,499	-
Public safety - fire - services and supplies	6,742	-
Streets - maintenance and professional services	195,865	-
Maintenance - fleet and building maintenance	59,870	-
Parks - maintenance and supplies	90,038	-
Recreation - services	22,075	-
Unassigned	9,008,092	-
Total fund balances	10,422,639	14,427,013
Total liabilities, deferred inflows of resources, and fund balances	$ 14,946,700	$ 15,254,898

The accompanying notes are an integral part of these financial statements.

Other Governmental	Total Governmental Funds
$ 3,038,707	$ 28,528,919
335,408	1,600,767
-	258,723
-	2,775,192
15,546	108,620
-	288,794
-	30,244
3,389,661	33,591,259
109,702	1,694,690
38,678	527,414
80,058	92,621
228,438	2,314,725
-	2,674,702
21,073	144,610
-	39,759
-	138,867
-	288,794
21,073	3,286,732
-	30,244
133,510	133,510
1,361,972	1,361,972
110,746	110,746
273,455	273,455
-	14,427,013
166,305	166,305
1,094,162	1,094,162
-	807,495
-	1,655
-	98,729
-	172
-	44,163
-	57,499
-	6,742
-	195,865
-	59,870
-	90,038
-	22,075
-	9,008,092
3,140,150	27,989,802
$ 3,389,661	$ 33,591,259

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CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

SEPTEMBER 30, 2023

Total fund balance, governmental funds		$ 27,989,802
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.		57,269,408
Uncollected revenues are reported as unavailable resources in the governmental funds balance sheet, but are recognized as a revenue in the statement of activities.		
Property taxes	$ 144,610	
Ambulance fees	138,867	
Court fines	39,759	
Grants	288,794	
		612,030
Long-term liabilities, including bonds and tax notes payable, are not due and payable in the current period and are therefore not reported in the funds. Also, the loss on refunding of bonds and premium on issuance of bonds are not included in the funds. The details of these differences are as follows:		
Bonds payable	(29,165,000)	
Leases	(1,238,892)	
SBITA's	(351,503)	
Deferred amount on refunding	162,533	
Issuance premium	(2,869,376)	
Retainage payable	(21,163)	
Arbitrage	(178,537)	
Accrued interest	(124,285)	
Compensated absences	(1,329,289)	
		(35,115,512)
Included in the items related to long-term liabilities is the recognition of the City's net pension liability and deferred outflow and inflow of resources related to pensions.		
Deferred outflow related to pensions	4,285,829	
Deferred inflow related to pensions	(84,097)	
Deferred outflow related to post employment benefits	78,915	
Deferred inflow related to post employment benefits	(199,958)	
Total OPEB liability	(320,699)	
Net pension liability	(7,202,569)	
		(3,442,579)
Net position of governmental activities in the statement of net position		$ 47,313,149

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General	Capital Projects
REVENUES		
Taxes	$ 18,711,187	$ -
Fines and forfeitures	126,346	-
Licenses, permits and fees	775,436	-
Intergovernmental	30,277	31,909
Charges for services	860,254	-
Investment earnings	585,642	543,372
Miscellaneous	236,647	-
Total revenues	21,325,789	575,281
EXPENDITURES		
Current:		
General government:		
City manager	688,923	-
Finance	1,412,413	-
Marketing and communication	453,750	-
Human resources	511,448	-
City secretary	425,613	-
Maintenance	1,855,501	-
Information services	1,141,226	-
Public safety:		
Police	5,158,304	-
Fire	3,153,534	-
Community services	421,399	-
Streets and drainage	1,360,150	68,310
Parks and recreation	2,697,901	251,514
Debt service:		
Principal	232,233	-
Interest and other	18,456	-
Capital outlay	1,361,567	1,717,314
Total expenditures	20,892,418	2,037,138
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	433,371	(1,461,857)
OTHER FINANCING SOURCES (USES)		
Transfers in	532,307	-
Transfers out	(16,000)	-
Issuance of leases	734,968	-
Issuance of SBITA's	471,892	-
Sale of capital assets	37,385	-
Total other financing sources and uses	1,760,552	-
NET CHANGE IN FUND BALANCES	2,193,923	(1,461,857)
FUND BALANCES, BEGINNING	8,228,716	15,888,870
FUND BALANCES, ENDING	$ 10,422,639	$ 14,427,013

Other Governmental	Total Governmental Funds
$ 3,916,500	$ 22,627,687
-	126,346
1,232,730	2,008,166
45,065	107,251
-	860,254
91,204	1,220,218
-	236,647
5,285,499	27,186,569
-	688,923
10,287	1,422,700
-	453,750
-	511,448
-	425,613
-	1,855,501
-	1,141,226
52,546	5,210,850
2,677	3,156,211
-	421,399
575,290	2,003,750
966,905	3,916,320
1,600,000	1,832,233
1,029,901	1,048,357
71,226	3,150,107
4,308,832	27,238,388
976,667	(51,819)
553,581	1,085,888
(599,888)	(615,888)
-	734,968
-	471,892
-	37,385
(46,307)	1,714,245
930,360	1,662,426
2,209,790	26,327,376
$ 3,140,150	$ 27,989,802

CITY OF HIGHLAND VILLAGE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds:		$ 1,662,426
Amounts reported for Governmental Activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital outlay	$ 3,147,777	
Retainage	85,785	
Depreciation expense	(3,763,767)	
		(530,205)
In the statements of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets disposed.		(2,498)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. The details of these differences are as follows:		
Property taxes	34,289	
Ambulance fees	93,896	
Court fines	2,258	
Grants	287,296	
Arbitrage	(178,537)	
		239,202
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while issuing debt increases long-term liabilities in the statement of net position. The repayment of the principal portion of bonds, leases and tax notes is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
Issuance of leases	(734,968)	
Issuance of SBITA's	(471,892)	
Payments on bonds	1,600,000	
Payments on leases	111,844	
Payments on SBITA's	120,389	
		625,373
Certain pension and other postemployment benefits expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and other post employment benefits liability were amortized.		(575,036)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences	(159,424)	
Accrued interest	8,463	
Amortization of deferred loss of refunding bonds	(14,555)	
Amortization of premium on bond issuances	214,125	
		48,609
Change in net position of governmental activities		$ 1,467,871

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2023
(With Comparative Totals as of September 30, 2022)

	2023	2022
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,673,358	$ 5,997,842
Accounts receivable, net	2,090,298	1,776,639
Other receivables	4,557	4,557
Inventories	233,173	244,637
Prepaid items	4,565	4,565
Restricted cash and investments:		
Reserve bond debt service	567,777	719,747
Capital improvements	763,639	1,036,706
Construction	1,279,340	1,292,225
Customer deposits	94,820	105,345
Total current assets	11,711,527	11,182,263
Non-current assets:		
Capital assets:		
Nondepreciable capital assets	1,054,321	482,546
Depreciable capital assets, net of accumulated depreciation	13,478,510	13,896,116
Total capital assets	14,532,831	14,378,662
Total non-current assets	14,532,831	14,378,662
Total assets	26,244,358	25,560,925
DEFERRED OUTFLOWS OF RESOURCES		
Deferred loss on refunding	51,041	70,169
Deferred outflows related to pensions	521,608	137,819
Deferred outflows related to other postemployment benefits	9,604	12,098
Total deferred outflows of resources	582,253	220,086

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

SEPTEMBER 30, 2023
(With Comparative Totals as of September 30, 2022)

	2023	2022
LIABILITIES		
Current liabilities:		
Accounts payable	974,659	1,063,232
Accrued expenses	103,374	103,352
Accrued interest	41,223	35,878
Retainage payable	19,821	38,373
Customer deposits	94,820	105,345
Unearned revenue	966,580	2,590,596
Current portion of long-term debt	959,069	900,094
Total OPEB Liability	973	905
Total current liabilities	3,160,519	4,837,775
Noncurrent liabilities:		
Net pension liability	876,589	78,461
Total OPEB liability	38,058	56,590
Noncurrent portion of long-term debt	8,566,438	8,612,922
Total noncurrent liabilities	9,481,085	8,747,973
Total liabilities	12,641,604	13,585,748
DEFERRED INFLOWS OF RESOURCES		
Deferred gain on refunding	10,639	12,603
Deferred inflows related to pensions	10,235	342,770
Deferred inflows related to other postemployment benefits	24,336	5,100
Total deferred inflows of resources	45,210	360,473
NET POSITION		
Net investment in capital assets	5,954,072	6,028,561
Restricted for debt service	567,777	-
Restricted for capital projects	1,279,340	1,292,225
Unrestricted	6,338,608	4,514,004
Total net position	$ 14,139,797	$ 11,834,790

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(With Comparative Totals For the Year Ended September 30, 2022)

	2023	2022
REVENUES		
Charges for services	$ 10,705,342	$ 10,722,176
Total operating revenues	10,705,342	10,722,176
OPERATING EXPENSES		
Administration	483,010	471,219
Maintenance and operations	7,828,769	8,376,593
Depreciation	1,455,387	1,351,073
Total operating expenses	9,767,166	10,198,885
OPERATING INCOME (LOSS)	938,176	523,291
NON-OPERATING REVENUES (EXPENSES)		
Interest and investment revenue	362,311	49,392
Gain on disposal of capital assets	14,755	-
Intergovernmental grant revenue	1,624,016	1,547,662
Interest expense	(245,081)	(247,087)
Total non-operating revenues (expenses)	1,756,001	1,349,967
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	2,694,177	1,873,258
Capital contributions - impact fees	80,830	215,479
Transfers out	(470,000)	(470,000)
CHANGE IN NET POSITION	2,305,007	1,618,737
TOTAL NET POSITION, BEGINNING	11,834,790	10,216,053
TOTAL NET POSITION, ENDING	$ 14,139,797	$ 11,834,790

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(With Comparative Totals For the Year Ended September 30, 2022)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers and users	$ 10,381,158	$ 10,720,816
Cash paid to suppliers for goods and services	(6,942,917)	(6,963,526)
Cash paid to employees for services	(1,347,359)	(1,539,917)
Net cash provided by operating activities	2,090,882	2,217,373
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Cash received from intergovernmental grants	-	2,073,210
Transfers to other funds	(470,000)	(470,000)
Net cash provided (used) by noncapital financing activities	(470,000)	1,603,210
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	14,755	-
Proceeds from issuance of refunding bonds	-	3,518,993
Payment to refunding escrow agent	-	(3,482,063)
Acquisition and construction of capital assets	(729,875)	(622,220)
Principal paid on bonds	(735,000)	(960,000)
Principal paid on SBITA's	(89,619)	-
Capital contributions	80,830	215,479
Interest and other charges paid on debt	(297,215)	(278,265)
Net cash provided (used) by capital and related financing activities	(1,756,124)	(1,608,076)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment earnings	362,311	49,392
Net cash provided by investing activities	362,311	49,392
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	227,069	2,261,899
CASH AND CASH EQUIVALENTS, BEGINNING	9,151,865	6,889,966
CASH AND CASH EQUIVALENTS, ENDING	$ 9,378,934	$ 9,151,865
(Including $6,673,358 and $2,705,576 reported as restricted cash and investments)		

The accompanying notes are an integral part of these financial statements.

CITY OF HIGHLAND VILLAGE, TEXAS

STATEMENT OF CASH FLOWS
ENTERPRISE - WATER AND WASTEWATER FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023
(With Comparative Totals For the Year Ended September 30, 2022)

	2023	2022
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	$ 938,176	$ 523,291
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	1,455,386	1,351,073
Changes in assets, deferred outflows, liabilities and deferred inflows:		
Decrease (increase) in assets and deferred outflows:		
Customer receivable	(313,659)	1,695
Other receivables	-	5,950
Inventories	11,464	26,134
Deferred outflow related to pensions	(383,789)	(3,224)
Deferred outflow related to OPEB	2,494	1,182
Increase (decrease) in liabilities and deferred inflows:		
Accounts payable	(88,573)	412,180
Accrued liabilities	22	14,659
Customer deposits	(10,525)	(9,005)
Compensated absences	13,521	-
Other post employment benefits	(18,464)	1,695
Net pension liability	798,128	(305,623)
Deferred inflow related to pensions	(332,535)	195,156
Deferred inflow related to OPEB	19,236	2,210
Net cash provided by operating activities	$ 2,090,882	$ 2,217,373
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Equipment acquired through leases	$ 51,922	$ -
Software acquired through SBITA's	846,310	-

The accompanying notes are an integral part of these financial statements.

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Highland Village adopted a Home Rule Charter in April 1985 and operates under a Council-Manager form of government. All powers of the City are vested in an elected Council, which enacts local legislation, adopts budgets, determines policies and appoints the City Manager. The City Manager is responsible for executing the laws and administering the government of the City. The City Council consists of seven members, a mayor and six Councilpersons elected by the City's residents.

The City's Annual Comprehensive Financial Report presents the financial position, changes in financial position and cash flows where applicable of the City. The reporting entity is the primary government and those component units for which the primary government is financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

City of Highland Village voters, in November 2004, approved, in a special election, the creation of the Highland Village Community Development Corporation. The Corporation was formed for the purpose of funding public parks, recreation, and projects from revenues derived from a one-half cent sales tax within the City of Highland Village. The City Council appoints a board and board members are removable by the City Council, for cause or at will. Four out of seven board members are on City Council. In the event of dissolution title of all the assets transfer to the City. The operational responsibility of the Community Development Corporation is managed essentially the same manner as other City programs and activities. The Community Development Corporation is reported as a Special Revenue Fund. Financial statement information can be obtained by contacting the Highland Village Community Development Corporation, 1000 Highland Village Rd., Highland Village, Texas 75077.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures relating to compensated absences and claims and judgments, are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

General Fund – is the operating fund of the City. It is utilized to account for all financial resources except those required to be accounted for in other funds.

Capital Projects Fund – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

The City reports the following major proprietary fund:

Enterprise – Water and Wastewater Fund – is used to account for the water and wastewater operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City is that costs (expenses including depreciation) of providing services to the general public on a continuing basis be financed or recovered through user charges.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for the Enterprise Fund include administration, maintenance and operations, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. Assets, Deferred Inflows/Outflows of Resources, Liabilities, and Net Position or Fund Balance

Cash and Investments

For the purposes of the statement of cash flows, cash equivalents are defined as short-term highly liquid investments with an original maturity of three months or less.

Investments in government pools are recorded at amortized cost. All other investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current traction between willing parties.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

Receivables and Payables

Activities between funds that are representative of lending or borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All trade receivables are shown net of allowance for uncollectible accounts based on an analysis of historical trends.

Property Taxes

Ad valorem taxes are levied from valuations assessed as of January 1 and recognized as revenue on the date of levy, on October 1. Property tax receivables are recognized when the City has an enforceable claim against the property owner. In the governmental funds, property tax revenue is recognized in the fiscal period for which the taxes are levied, provided that they become available. Available means collected within the current period, or expected to be collected soon enough thereafter, to be used to pay current liabilities. The City's availability period is 60 days. Taxes collected prior to the levy date to which they apply are recorded as deferred revenues and recognized as revenue of the period to which they apply.

Current taxes are due on October 1 and become delinquent if unpaid on February 1. Taxes unpaid as of February 1 are subject to penalty and interest as the City Council provides by ordinance. On January 1 of each year, a tax lien attaches to property to secure all taxes, penalties and interest ultimately imposed.

Unbilled Services

Utility operating revenues (water, sewer and refuse collection) are billed on monthly cycles. Customers are billed for periods ending the 15th of each month on the last day of the month. The City records estimated revenues for services delivered during the current fiscal year, which will be billed during the next fiscal year.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first out (FIFO) method. Inventories in governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than purchased.

Restricted Assets

Certain proceeds of the City's Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "reserve bond debt service" account is used to report resources set aside to subsidize potential deficiencies from the City's operation that could adversely affect debt service payments. The "construction funds" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction.

Impact fees collected from developers to cover, in whole or in part, the anticipated costs of improvements that will be necessary as a result of the development are set aside in the "capital improvements" account.

Deposits collected from utility customers are set aside until repayment.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets within an initial, individual cost threshold by asset class and an estimated useful life in excess of four years. Such assets are recorded at historical cost or an estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost, which is the price that would be paid to acquire an asset with equivalent service potential at the acquisition date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation expense is calculated principally on the straight-line method. Depreciation methods are designed to amortize the cost of the assets over their estimated useful lives. Estimated useful lives and capitalization thresholds of capital asset classes are as follows:

Capital Asset Class	Capitalization Threshold	Useful Life (Years)
Land	$ 50,000	Indefinite
Infrastructure	250,000	20
Buildings and Improvements	100,000	30
Land Improvements	50,000	20
Machinery and equipment	5,000	5 - 10
Intangibles	5,000	5 - 10
Right to use equipment	5,000	5-10
Right to use building	5,000	30
Right to use software	5,000	2-5

Accrued Vacation

It is the City's policy to grant employees vacation leave earned at the rate of 10 days a year for at least one but less than 5 years continuous service, 15 days for at least 5 but less than 10 years continuous service, and 20 days for at least 10 years continuous service. Upon termination, the employee shall be paid at the hourly rate of pay such employee was earning on the effective date of termination.

The City also grants employees sick leave earned at the rate of 12 days a year. Upon termination, employees are paid for one-half of the actual number of days earned up to a maximum of 45 days. Obligations under compensated absence arrangements are accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The City utilizes the last-in first-out method of recognizing the use of compensated absences. Thus, unless it is anticipated that compensated absences of governmental fund types will be used/paid in excess of a normal year's accumulation, no amount is classified as current.

Long-term Obligations

In the government-wide financial statements and the proprietary fund in the fund financial statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Leases

The City has entered into various lease agreements as either lessee and lessor. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate, if available. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability or lease asset.

Lessee. The City is a lessee for noncancellable leases of equipment and buildings. The City recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Lease assets are reported with other capital assets and lease liabilities are reported with long- term debt on the statement of net position.

Lessor. The City is a lessor in an arrangement allowing the placement of cellular towers on City property. In both the government-wide financial statements and the governmental fund financial statements, the City initially measures the lease receivable and a deferred inflow of resources for the present value of payments expected to be made during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments made. The deferred inflow of resources is recognized as revenue on a systematic basis over the life of the lease.

Subscription-Based Information Technology Arrangements

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

At the commencement of a SBITA, the City initially measures the liability at the present value of payments expected to be made during the agreement term. Subsequently, theliability is reduced by the principal portion of payments made. The asset is initially measured as the initial amount of the liability, adjusted for payments made at or before the commencement date, plus certain initial direct costs. Subsequently, the asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.

- The agreement term includes the noncancellable period of the SBITA.

- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long- term debt on the statement of net position.

Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

Supplemental Death Benefit. For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the total OPEB liability, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in economic and demographic actuarial assumptions or of other inputs included in determining the pension and other post-employment benefit liability – these effects on the total pension liability are deferred and amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with benefits through the pension plan (active or inactive employees).

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows or resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, this item is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from four sources: property taxes, municipal court fines, ambulance, and grants. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City also has several types of these items that are recorded under the full accrual basis of accounting as followed:

- Deferred loss on refunding – This results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Deferred inflows related to leases for its lessor transactions. These amounts offset the receivable related to the lease and will be recognized systematically in future years over the life of the lease.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in spendable form, or (b) are legally or contractually required to be maintained intact. Non-spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.

- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by Ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council, as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net investment in capital assets consists of debt related to capital assets and accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Comparative Data and Reclassifications

Comparative total data for the prior year is presented only for the Enterprise Fund in the fund financial statements in order to provide an understanding of changes in the financial position and operations of this fund. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

2. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

Deposits and investments are made in accordance with the provisions of the bank depository agreement or in any negotiable instrument the Council has authorized under the City's approved investment policy and the provisions of the Public Funds Investment Act of 1987, as amended.

Investments held at year-end are as follows:

	Carrying Value	Weighted Average Maturity (Days)
TexPool	$ 7,329,238	26
TexStar	6,518,942	29
Total investments	$ 13,848,180	

Cash and investments are reported as restricted assets as required by debt issues and City ordinance. The monies in government investment pools represent investments in TexPool and TexStar, investment pools for state and local governments in Texas. The State Comptroller of Public Accounts exercises oversight responsibilities over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an Advisory Board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

The Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "Act"), provide for the creation of public funds investment pools, such as Texas Short-term Reserve Fund ("TexStar"), and TexPool, through which political subdivisions and other entities may invest public funds.

J.P. Morgan Fleming Asset Management (USA), Inc. ("JPMFAM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors. JPMFAM provides investment service and FSAM provides participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by J.P. Morgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services Co. TexStar bylaws provide for a five-member board of directors consisting of three representatives of participants and one member designated by each of the co-administrators.

TexPool and TexStar have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

Both TexPool and TexStar are rated AAAm by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investments are with TexPool and TexStar with maturities of less than one year.

Credit Risk. Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. All investment pools' policies require a rating of AA or better from a nationally recognized rating agency.

Concentration of Credit Risk. The City's investments are issued or explicitly guaranteed by external investment pools, which are not considered to provide a concentration of credit risk.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act requires that a financial institution secure deposits made by state or local government entities by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least the bank balances less FDIC insurance at all times. The City's cash deposits in the bank on September 30, 2023, were covered by federal depository insurance or by collateral held by the City's agent in the City's name.

B. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor governmental funds, including the applicable allowance for estimated uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor Governmental	Enterprise	Total
Receivables:					
Taxes	$1,265,359	$ -	$ 335,408	$ -	$1,600,767
Accounts	880,731	-	-	1,524,234	2,404,965
Unbilled accounts	-	-	-	588,483	588,483
Leases	2,775,192		-	-	2,775,192
Other	42,942	50,132	15,546	4,557	113,177
Gross receivables	4,964,224	50,132	350,954	2,117,274	7,482,584
Less: allowance for uncollectibles	(622,008)	-	-	(22,419)	(644,427)
Net total receivables	$4,342,216	$ 50,132	$ 350,954	$2,094,855	$6,838,157

Lease Receivable

In prior years, the City entered into multiple leases as lessor for the placement of cellular antennas on City property and use of City land by multiple telecommunications company. The lessees are required to make annual payments ranging from $35,160 to $42,084 for the antenna facilities, and monthly payments ranging from $2,000 to $2,281 for the use of land.

A summary of the City's lease receivables as of September 30, 2023, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Receivable	Interest Current Year	Reductions Current Year	Amounts Receivable 9/30/23
Right to Use:						
Antenna facilities	.74%-.99%	2007	$ 479,598	$ 3,653	$ 68,997	$ 340,383
Land	1.24%-1.74%	2018	2,516,813	41,215	41,558	2,434,809
Totals				$ 44,868	$ 110,555	$ 2,775,192

C. Unearned Revenue

Unearned revenue generally relates to cash received in advance of performance obligations being completed by the City. At the end of the current fiscal year, the various components of unearned revenue reported in the governmental funds were as follows:

General fund:	
Franchise taxes	$ 7,700
Park fees	4,863
Total general fund	12,563
Nonmajor governmental fund:	
Parks fees	80,058
Total nonmajor governmental fund	80,058
Total governmental funds	$ 92,621

Additionally, the Water and Wastewater enterprise fund reported ending unearned revenue of $966,580 for grant funds received under the American Rescue Plan Act that will be spent in future years.

D. Interfund Transfers

The following is a summary of transfers for the current fiscal year:

	Transfers in		
Transfers out	General	Nonmajor Governmental	Total
General	$ -	$ 16,000	$ 16,000
Nonmajor governmental	62,307	537,581	599,888
Water and wastewater	470,000	-	470,000
	$ 532,307	$ 553,581	$ 1,085,888

The purpose of transfers is as follows:

- The transfer to non-major governmental funds was for a drainage fee associated with impermeable square footage of public buildings.
- The transfer from the Nonmajor Governmental Fund to the Debt Service Fund is a for debt service payments made on behalf of the HVCDC.
- The transfer from Nonmajor Governmental Fund to the General Fund is for support services.

- The transfer from the Water and Wastewater Fund to the General Fund represents a payment in lieu of taxes.

E. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 17,183,848	$ -	$ -	$ 17,183,848
Construction in progress	2,232,292	1,655,225	(2,936,696)	950,821
Total assets not being depreciated	19,416,140	1,655,225	(2,936,696)	18,134,669
Capital assets, being depreciated:				
Land improvements	27,032,799	133,185	1,648,308	28,814,292
Buildings and improvements	16,058,399	51,310	-	16,109,709
Equipment	10,854,512	48,781	(408,762)	10,494,531
Infrastructure	44,603,102	-	1,288,388	45,891,490
Intangibles	537,690	-	-	537,690
Right to use equipment	364,435	745,383	-	1,109,818
Right to use building	365,356	-	-	365,356
SBITA	-	513,893	-	513,893
Total capital assets being depreciated	99,816,293	1,492,552	2,527,934	103,836,779
Less accumulated depreciation:				
Land improvements	12,600,306	1,202,847	-	13,803,153
Buildings and improvements	11,437,969	510,593	-	11,948,562
Equipment	7,930,721	720,559	(406,264)	8,245,016
Infrastructure	28,772,276	1,072,757	-	29,845,033
Intangibles	532,001	5,689	-	537,690
Right to use equipment	66,276	120,541	-	186,817
Right to use building	4,988	14,963	-	19,951
SBITA	-	115,818	-	115,818
Total accumulated depreciation	61,344,537	3,763,767	(406,264)	64,702,040
Total capital assets being depreciated, net	38,471,756	(2,271,215)	2,934,198	39,134,739
Governmental activities capital assets, net	$ 57,887,896	$(615,990)	$(2,498)	$ 57,269,408

	Beginning Balance	Increases	Decreases/ Reclassifications	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 75,713	$ -	$ -	$ 75,713
Construction in progress	406,833	600,323	(28,548)	978,608
Total assets not being depreciated	482,546	600,323	(28,548)	1,054,321
Capital assets, being depreciated:				
Buildings	1,469,618	-	-	1,469,618
Improvements other than buildings	37,303,998	-	28,548	37,332,546
Equipment	2,250,243	110,749	(74,398)	2,286,594
Infrastructure	617,553	-	-	617,553
Intangibles	81,737	-	-	81,737
Right to use equipment	-	52,174	-	52,174
SBITA	-	846,310	-	846,310
Total capital assets being depreciated	41,723,149	1,009,233	(45,850)	42,686,532
Less accumulated depreciation:				
Buildings	823,596	71,921	-	895,517
Improvements other than buildings	24,700,091	1,149,462	-	25,849,553
Equipment	1,611,430	145,687	(74,398)	1,682,719
Infrastructure	610,179	-	-	610,179
Intangibles	81,737	-	-	81,737
Right to use equipment	-	108	-	108
SBITA	-	88,209	-	88,209
Total accumulated depreciation	27,827,033	1,455,387	(74,398)	29,208,022
Total capital assets being depreciated, net	13,896,116	(446,154)	28,548	13,478,510
Business-type activities assets, net	$ 14,378,662	$ 154,169	$ -	$ 14,532,831

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
City Manager	$ 972
Finance/Court	18,466
Human Resources	19,422
City Secretary	2,781
Information Services	120,547
Marketing and Communications	22,124
Police	295,795
Fire	412,239
Community Services	6,381
Streets and Drainage	1,215,382
Maintenance	12,788
Utility Drainage	114,748
Park and recreation	1,522,122
Total depreciation expense - governmental activities	$ 3,763,767
Business-type activities:	
Water and wastewater	$ 1,455,387
Total depreciation expense - business-type activities	$ 1,455,387

F. Construction Commitments

The City has active construction projects as of September 30, 2023. At year-end the City's commitments with contractors are as follows:

Projects	Spent to Date	Remaining Commitment
Governmental activities:		
Chapel Hill Sidewalk Improvements	$ 293,917	$ 3,475
KCS Pedestrian Tunnel	17,042	40,078
Facilities Upgrades Project	472,917	101,601
Street Reconstruction Highland Shores Blvd	69,950	705,450
2022 Street Improvements	693,350	1,040,838
Lion's Club Parking Lot	17,707	393
Highland Shores Crosswalk	21,500	4,000
Brazos/Highland Village Rd Signal	37,584	89,757
Doubletree Parking Lot Improvement	13,905	42,374
Quail Cove/Walmart Detention/Retention	37,810	20,990
Highland Village Rd Reconstruction	33,908	193,592
Unity Park Detention/Retention	33,790	14,460
Splash Pad & Tennis Center Fencing	201,332	975
Pilot Knoll Improvements	39,575	301,575
Highland Shores Blvd Asphalt Overlay	30,500	17,000
Business-type activities:		
12" Water Line Northwest of City	$ 98,611	$ 44,750
Lake Vista Well Lot and Facilities	146,225	47,975
Wastewater System Restoration Slope Protection	44,189	29,366
Edgewood Dr. Sewer Line Replacement	141,689	508,206
Sandero, Bexar, Victoria, Malibu, Wtr Lns	493,524	668,993
Replace Force Mains WW Lift Stations 2 & 7	54,370	64,630

G. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital projects. General obligation bonds are payable and pledged from the levy and collection of a direct and continuing annual ad valorem tax. General obligation bonds currently outstanding are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
GO refunding bonds - Direct Placement	2.28	2017	2029	2,435,000	$ 320,000
GO refunding & improvement bonds	3.00 - 4.00	2018	2038	6,905,000	5,740,000
GO refunding & improvement bonds	3.00 - 5.00	2021	2034	10,300,000	9,050,000
Total governmental activities					15,110,000
Business-type activities:					
GO refunding bonds	2.00 - 3.00	2012	2024	4,565,000	350,000
GO refunding bonds - Direct Placement	2.28	2017	2029	4,050,000	2,250,000
GO refunding & improvement bonds	3.00 - 5.00	2021	2034	2,915,000	2,875,000
Total business-type activities					5,475,000
Total general obligation bonds outstanding					$ 20,585,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

General Obligation Bonds

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2024	$ 1,270,000	$ 560,250	$ 360,000	$ 128,850
2025	1,400,000	499,750	230,000	117,600
2026	1,465,000	434,525	240,000	105,850
2027	1,535,000	366,125	255,000	93,475
2028	1,280,000	302,550	270,000	80,350
2029-2033	5,085,000	854,725	1,530,000	197,050
2034-2038	2,755,000	177,975	340,000	5,100
Total	$ 14,790,000	$ 3,195,900	$ 3,225,000	$ 728,275

General Obligation Bonds - Direct Placement

Year Ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest
2024	$ 320,000	$ 3,640	$ 320,000	$ 47,548
2025	-	-	390,000	39,471
2026	-	-	395,000	30,542
2027	-	-	410,000	21,385
2028	-	-	420,000	11,944
2029-2033	-	-	315,000	3,583
Total	$ 320,000	$ 3,640	$ 2,250,000	$ 154,473

Combination Tax and Revenue Certificates of Obligation (CO) Bonds

The City also issues bonds where the government pledges a combination of the levy and collection of a direct and continuing annual ad valorem tax plus a limited pledge ($2,500) of the net revenues from the Water and Sewer System to pay debt service. Combination tax and revenue certificates of obligation have been issued for both governmental and business-type activities.

Combination tax and revenue certificates of obligation outstanding at year-end are as follows:

	Interest Rates	Date Issued	Maturity Date	Amount of Original Issue	Amount Outstanding
Governmental activities:					
Combination tax and revenue CO's	2.00 - 4.00	2021	2041	14,240,000	$ 14,055,000
Total governmental activities					$ 14,055,000
Business-type activities:					
Combination tax and revenue CO's	3.00 - 4.00	2018	2028	2,715,000	$ 2,465,000
Total business-type activities					2,465,000
Total certificates of obligation outstanding					$ 16,520,000

Combination tax and revenue certificates of obligation debt service requirements to maturity are as follows:

Certificates of Obligation

Year Ending	Governmental Activities		Business-type Activities	
September 30,	Principal	Interest	Principal	Interest
2024	$ 165,000	$ 394,800	$ 70,000	$ 79,456
2025	250,000	386,500	135,000	75,356
2026	250,000	376,500	140,000	69,856
2027	260,000	366,300	145,000	64,156
2028	590,000	349,300	150,000	58,256
2029-2033	4,320,000	1,272,725	850,000	214,031
2034-2038	4,980,000	581,975	975,000	76,653
2039-2042	3,240,000	98,000	-	-
Total	$ 14,055,000	$ 3,826,100	$ 2,465,000	$ 637,764

Defeased Debt

The City defeased certain outstanding revenue bonds by placing proceeds of new bonds in irrevocable trust to provide for all future debt service payments. Accordingly, the respective trust accounts and liability for the defeased bond are not included in the City's financial statements. As of September 30, 2023, the City does not have bonds considered defeased and outstanding.

Arbitrage Rebate

The Tax Reform Act of 1986 requires that governmental entities issuing tax-exempt debt subsequent to August 1986, calculate and rebate arbitrage earnings to the federal government. Specifically, the excess of the aggregated amount earned on investments purchased with bond proceeds over the amount that would have been earned if the proceeds were invested at a rate equal to the bond yield, is to be rebated to the federal government. As of September 30, 2023, a liability for arbitrage rebate existed in the amount of $178,537.

H. Changes in Long-term Debt

Long-term debt activity for the year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligations	$ 16,620,000	$ -	$ 1,510,000	$ 15,110,000	$ 1,590,000
Combination tax and revenue CO	14,145,000	-	90,000	14,055,000	165,000
Issuance premium	3,083,501	-	214,125	2,869,376	214,125
Total bonds payable	33,848,501	-	1,814,125	32,034,376	1,969,125
Compensated absences	1,169,865	437,212	277,788	1,329,289	315,644
Leases	615,768	734,968	111,844	1,238,892	201,134
SBITA's	-	471,892	120,389	351,503	113,428
Governmental activities long-term debt	$ 35,634,134	$ 1,644,072	$ 2,324,146	$ 34,954,060	$ 2,599,331

The General Fund has typically been used to liquidate governmental activities compensated absences, the net pension liability, and the total OPEB liability.

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
General obligation bonds	$ 6,150,000	$ -	$ 675,000	$ 5,475,000	$ 680,000
Combination tax and revenue CO	2,525,000	-	60,000	2,465,000	70,000
Issuance premium	689,009	-	74,643	614,366	74,643
Total bonds payable	9,364,009	-	809,643	8,554,366	824,643
Compensated absences	149,007	49,994	36,473	162,528	39,783
Leases	-	51,922	-	51,922	11,232
SBITA's	-	846,310	89,619	756,691	83,411
Business-type activities long-term debt	$ 9,513,016	$ 948,226	$ 935,735	$ 9,525,507	$ 959,069

Additionally, certain obligations that were marketed as direct placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment.

Lease Payable

During the current year, the City entered into a 48-month lease and a 60-month lease as lessee both for the right to use of vehicles through Enterprise. The City is required to make fixed monthly payments ranging between $1,017 and $1,238, and $815 and $900, respectively.

A summary of the City's long-term lease payable as of September 30, 2023, is as follows:

Purpose of Lease	Interest Rate	Initial Year of Lease	Amount of Initial Lease Liability	Interest Current Year	Amounts Outstanding 9/30/23
Governmental Activities					
Multifunctional printers	0.29%	2022	$ 9,236	$ 16	$ 3,601
Fire Department Medical Equipment	2.51%	2021	249,768	1,542	167,299
Camera Accessories	0.19%	2022	105,431	72	29,851
Animal Shelter Building	0.74%	2022	365,356	8,944	349,920
Vehicles	2.23-3.16%	2023	734,968	5,156	688,221
Totals				$ 15,730	$ 1,238,892
Right to Use:					
Vehicles	2.27%	2023	$ 51,922	$ 10	$ 51,922
Totals				$ 10	$ 51,922

Annual lease payments to maturity are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total Requirements
2024	$ 201,134	$ 24,935	$ 226,069
2025	202,178	21,314	223,492
2026	205,729	17,248	222,977
2027	258,135	13,134	271,269
2028	81,403	8,180	89,583
2029-2033	67,578	32,392	99,970
2034-2038	76,615	23,354	99,969
2039-2043	86,861	13,108	99,969
2044-2047	59,259	2,387	61,646
Totals	$ 1,238,892	$ 156,052	$ 1,394,944

Year Ending September 30,	Business-Type Activities Principal	Interest	Total Requirements
2024	$ 11,232	$ 974	$ 12,206
2025	11,400	806	12,206
2026	11,662	544	12,206
2027	17,628	286	17,914
Totals	$ 51,922	$ 2,610	$ 54,532

SBITA Payable

During the fiscal year, the City entered into multiple subscriptions for the use of various software. An initial subscription liability was recorded in the amount of $1,318,202. As of September 30, 2023, the value of the subscription liability is $1,108,194. The City is required to make fixed annual payments ranging between $1,464 and $58,082 with interest rates ranging from to 2.310% to 3.461%.

A summary of the City's long-term SBITA payable as of September 30, 2023, is as follows:

Purpose of SBITA	Interest Rate	Initial Year of SBITA	Amount of Initial SBITA Liability	Interest Current Year	Amounts Outstanding 9/30/23
Governmental Activities					
Right to Use:					
Various software	2.31%	2023	$ 471,892	$ 2,716	$ 351,503
Totals				$ 2,716	$ 351,503
Business-Type Activities					
Right to Use:					
Meter reading software	3.46%	2023	$ 846,310	$ 26,841	$ 756,691
Totals				$ 26,841	$ 756,691

Annual SBITA payments to maturity are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total Requirements	Business-Type Activities Principal	Interest	Total Requirements
2024	$ 113,428	$ 10,678	$ 124,106	$ 83,411	$ 25,134	$ 108,545
2025	90,351	7,254	97,605	86,135	22,410	108,545
2026	61,204	4,558	65,762	88,948	19,596	108,544
2027	63,090	2,672	65,762	91,854	16,691	108,545
2028	11,536	728	12,264	94,854	13,690	108,544
2029-2033	11,894	370	12,264	311,489	29,382	340,871
Totals	$ 351,503	$ 26,260	$ 377,763	$ 756,691	$ 126,903	$ 883,594

I. Retirement Plan

Plan Descriptions. The City participates as one of 919 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS administers a defines net benefit cash-balance plan for the eligible employees of 919 participating cities. Under GASB, TMRS is an agent multiple-employer public employee retirement system. All eligible employees of the city are required to participate in TMRS.

Benefits Provided. TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the member's benefit is calculated as if the sum of the employee's contributions, with interest, the City-financed monetary credits with interest were used to purchase an annuity. Members have three payment options to determine how their lifetime monthly benefit will be paid. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5 years
Service retirement eligibility	20 years to any age, 5 years at age 60 and above
Updated Service Credit	100% repeating
Annuity increase to retirees	70% of CPI repeating

Employees covered by benefit terms. At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	127
Active employees	152
	380

Contributions. The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are with 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contributions rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.04% and 13.98% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the years ended September 30, 2023 and September 30, 2022 were $1,646,871 and $1,543,894, respectively, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability was measured as of December 31, 2022, and the Total Pension Liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions. The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by weighting the expected return for each major asset class by the respective target asset allocation percentage. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2023 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.55%
Core Fixed Income	6.0%	4.90%
Non-Core Fixed Income	20.0%	8.70%
Other Public and Private Markets	12.0%	8.10%
Real Estate	12.0%	5.80%
Hedge Funds	5.0%	6.90%
Private Equity	10.0%	11.80%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statue. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2021	$ 55,431,821	$ 54,679,548	$ 752,273
Changes for the year:			
Service cost	1,994,564	-	1,994,564
Interest	3,747,427	-	3,747,427
Difference between expected and actual experience	(72,746)	-	(72,746)
Contributions - employer	-	1,548,337	(1,548,337)
Contributions - employee	-	784,820	(784,820)
Net investment income	-	(3,997,474)	3,997,474
Benefit payments, including refunds of employee contributions	(1,823,342)	(1,823,342)	-
Administrative expense	-	(34,539)	34,539
Other changes	-	41,216	(41,216)
Net changes	3,845,903	(3,480,982)	7,326,885
Balance at 12/31/2022	$ 59,277,724	$ 51,198,566	$ 8,079,158

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 17,238,558	$ 8,079,158	$ 654,715

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at trms.com.

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2023, the City recognized pension expense of $2,251,094. As of September 30, 2023, the City reported deferred outflows and inflows related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 64,909	$ 94,332
Changes in actuarial assumptions	5,830	-
Difference between projected and actual investment earnings	3,557,077	-
Contributions subsequent to the measurement date	1,179,621	-
Totals	$ 4,807,437	$ 94,332

$1,179,621 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

Year Ended September 30,	
2024	$ 215,872
2025	857,255
2026	922,689
2027	1,537,668

J. Defined Other Post-Employment Benefit Plan – TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	21
Active employees	152
Total	231

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.29% for 2023 and 0.17% for 2022, of which 0.10% and 0.08%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2023 and 2022 were $30,259 and $18,792, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

Total OPEB Liability. The City's total OPEB liability of was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs. The Total OPEB Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50% per annum
Discount rate	4.05%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 107.5% and female rates multiplied by 107.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 107.5% and female rates multiplied by 107.5% with a 3-year set-forward for both males and females. In addition, a 3.5% and 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2022, valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 4.05% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2022.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (4.05%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.05%)	Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
Total OPEB Liability	$ 432,867	$ 359,730	$ 302,575

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2021	$ 551,255
Changes for the year:	
Service cost	32,514
Interest	10,360
Difference between expected and actual experience	(35,262)
Changes of assumptions	(190,168)
Benefit payments	(8,969)
Net changes	(191,525)
Balance at 12/31/2022	$ 359,730

Changes in assumptions and other inputs reflect a change in the discount rate from 1.84% to 4.05%.

OPEB Expense, and Deferred Outflows and Inflows of Resources Related to OPEB. For the year ended September 30, 2023, the City recognized OPEB expense of $22,367. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

As of September 30, 2023, the City reported deferred outflows and inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 59,228
Changes in actuarial assumptions	79,940	165,066
Contributions subsequent to the measurement date	8,579	-
Totals	$ 88,519	$ 224,294

$8,579 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2024. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2024	$ (22,056)
2025	(23,319)
2026	(25,274)
2027	(36,414)
2028	(37,291)

K. Commitments and Contingencies

Upper Trinity Regional Water District ("UTRWD")

The City of Highland Village entered into a contract with the Upper Trinity Regional Water District Lakeview Regional Water Reclamation System (sewer plant), in June 1995, to meet its long-term wastewater treatment needs. The UTRWD has issued a series of bonds to provide for capital funding for the expansion and refurbishment of the Lakeview Sewer Plant and to construct the regional sewer system with all of the said bonds to be payable from and secured by annual payments made by participating members. In the fiscal year 2023, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City paid fixed operations and maintenance costs of $444,275/MGD, $656,125/MGD for joint facilities, and $261,157 for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.30/1,000 gallons.

In the fiscal year 2023, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.40/1,000 gallons, with an annual demand charge of $472,195/MGD.

For the fiscal year 2024, the City's subscribed capacity in the regional system is 1.65 million gallons per day (MGD). The City is committed to paying fixed operations and maintenance costs of $458,180/MGD, facility charges of $527,095 for joint facilities, and $204,810 annually for facilities specific to Highland Village. The volume rate for treatment (including transportation charge) is $1.35/1,000 gallons.

In the fiscal year 2024, the City has a commitment with the UTRWD to take 3 million gallons per day (MGD) of treated water. The volume charge is $1.49/1,000 gallons, with an annual demand charge of $500,155/MGD.

Encumbrances and Assignments of Fund Balance

Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget. At year-end, the amount of encumbrances expected to be honored in the next year were as follows:

Fund	Amount
General	$ 576,807
Other governmental	2,984,073
Total	$ 3,560,880

Additionally, in accordance with budgetary policy, the City's adopted budget for the fiscal year beginning October 1, 2023, is presented as a balanced budget, i.e., revenues and available resources equal appropriations. These appropriations exceeded estimated revenues by $807,495, which is presented as assigned fund balance for subsequent year's budget in the General Fund.

Lawsuits

The City has been named as a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the government.

Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's general liability and property coverage is insured by the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool. The City's only responsibility to the Fund is to pay premiums for insurance and related deductible amounts of these policies. Other risk of loss is covered by commercial insurance. Settlements of claims have not exceeded coverage in the past three years.

L. New Accounting Guidance

Significant new accounting standards and guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the District include the following:

The GASB has amended the existing standards regarding capitalization thresholds for assets. The amended guidance for the capitalization threshold comes from GASB Implementation Guide 2021-1, Question 5.1. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture and library books are examples of asset types that may not meet a capitalization policy on an individual basis yet could be significantly collectively. In this example, if the $150,000 aggregate amount (100 computers costing $1,500 each) is significant, the government should capitalize the computers. The amended guidance is effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 99, *Omnibus 2022* – The objective of this Statement is to correct practice issues identified during implementation and application of certain GASB Statements and financial reporting for financial guarantees. There are various effective dates 1.) upon issuance 2.) fiscal years beginning after June 15, 2022 and 3.) fiscal years beginning after June 15, 2023.

GASB Statement No. 100, *Accounting Changes and Error Corrections*—an amendment of GASB Statement No. 62 - The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2023, and the impact has not yet been determined.

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

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REQUIRED
SUPPLEMENTARY INFORMATION

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Taxes	$ 18,406,121	$ 18,406,121	$ 18,711,187	$ 305,066
Fines and forfeitures	91,800	91,800	126,346	34,546
Licenses, permits and fees	738,039	738,039	775,436	37,397
Intergovernmental	-	-	30,277	30,277
Charges for services	645,538	645,538	860,254	214,716
Investment earnings	146,160	146,160	585,642	439,482
Miscellaneous	249,500	249,500	236,647	(12,853)
Total revenues	20,277,158	20,277,158	21,325,789	1,048,631
EXPENDITURES				
Current:				
General government:				
City manager:				
Personnel	392,755	434,755	434,283	472
Services and supplies	219,618	269,618	254,640	14,978
Total city manager	612,373	704,373	688,923	15,450
Finance:				
Personnel	923,681	958,681	932,882	25,799
Services and supplies	507,883	507,883	479,531	28,352
Capital outlay	-	-	37,149	(37,149)
Total finance	1,431,564	1,466,564	1,449,562	17,002
Marketing and communication:				
Personnel	337,083	362,083	346,526	15,557
Services and supplies	117,003	117,003	107,224	9,779
Total Marketing and Communication	454,086	479,086	453,750	25,336
Human resources:				
Personnel	444,243	444,243	384,856	59,387
Services and supplies	164,411	164,411	126,592	37,819
Capital outlay	-	-	53,496	(53,496)
Total human resources	608,654	608,654	564,944	43,710
City secretary:				
Personnel	274,043	284,043	280,847	3,196
Services and supplies	182,340	182,340	144,766	37,574
Total city secretary	456,383	466,383	425,613	40,770
Information services:				
Personnel	794,436	824,436	798,667	25,769
Services and supplies	460,291	460,291	342,559	117,732
Capital outlay	-	-	195,113	(195,113)
Total information services	1,254,727	1,284,727	1,336,339	(51,612)
Maintenance:				
Personnel	402,114	402,114	396,446	5,668
Services and supplies	1,576,282	1,796,282	1,459,055	337,227
Capital outlay	196,900	196,900	69,760	127,140
Total maintenance	2,175,296	2,395,296	1,925,261	470,035

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget - Positive
	Original	Final	Amounts	(Negative)
Public safety:				
Police:				
Personnel	$ 5,229,120	$ 4,709,120	$ 4,662,967	$ 46,153
Services and supplies	572,731	622,731	495,337	127,394
Capital outlay	10,000	10,000	728,771	(718,771)
Total police	5,811,851	5,341,851	5,887,075	(545,224)
Fire:				
Personnel	2,966,826	2,791,826	2,817,206	(25,380)
Services and supplies	414,736	414,736	336,328	78,408
Total fire	3,381,562	3,206,562	3,153,534	53,028
Community services:				
Personnel	351,104	361,104	359,715	1,389
Services and supplies	33,945	73,945	61,684	12,261
Capital outlay	-	-	65,945	(65,945)
Total building operations	385,049	435,049	487,344	(52,295)
Streets and drainage:				
Personnel	861,549	826,549	818,815	7,734
Services and supplies	779,297	779,297	541,335	237,962
Capital outlay	-	-	69,042	(69,042)
Total streets and drainage	1,640,846	1,605,846	1,429,192	176,654
Parks and recreation:				
Personnel	1,655,221	1,655,221	1,556,469	98,752
Services and supplies	1,311,130	1,316,130	1,141,432	174,698
Capital outlay	164,000	164,000	142,291	21,709
Total parks and recreation	3,130,351	3,135,351	2,840,192	295,159
Debt service:				
Principal	-	-	232,233	(232,233)
Interest and other charges	-	-	18,456	(18,456)
Total debt service	-	-	250,689	(250,689)
Total expenditures	21,342,742	21,129,742	20,892,418	237,324
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,065,584)	(852,584)	433,371	1,285,955
OTHER FINANCING SOURCES (USES)				
Transfers in	534,000	534,000	532,307	(1,693)
Transfers out	(16,000)	(16,000)	(16,000)	-
Leases issued	-	-	734,968	734,968
SBITA's issued	-	-	471,892	471,892
Sale of capital assets	-	-	37,385	37,385
Total other financing sources and uses	518,000	518,000	1,760,552	1,242,552
NET CHANGE IN FUND BALANCE	(547,584)	(334,584)	2,193,923	2,528,507
FUND BALANCE, BEGINNING	8,228,716	8,228,716	8,228,716	-
FUND BALANCE, ENDING	$ 7,681,132	$ 7,894,132	$ 10,422,639	$ 2,528,507

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BUDGETARY BASIS OF ACCOUNTING

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, Special Revenue Funds and the Debt Service Fund. The Capital Project Funds are appropriated on a project-length basis, except for the Park Development Fund, which is appropriated annually.

The appropriated budget is prepared by fund, department and three categories – personnel, services and supplies, and capital outlay. During the fiscal year, each department is responsible to not exceed the amounts budgeted in each of the three categories. Transfers of appropriations between categories or departments require the approval of council. Category subtotals of departmental expenditures thus provide the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended September 30, 2023, expenditures exceed appropriation in the following fund, function, department and category:

Fund	Function/Department	Category	Amount
General	General Government - Finance	Capital Outlay	$ 37,149
General	General Government - Human Resources	Capital Outlay	53,496
General	General Government - Information Services	Capital Outlay	195,113
General	Public Safety - Police	Capital Outlay	718,771
General	Public Safety - Fire	Personnel	25,380
General	Community Services	Capital Outlay	65,945
General	Streets and Drainage	Capital Outlay	69,042
General	Debt Service	Principal	232,233
General	Debt Service	Interest	18,456
Public Safety	Police	Services and Supplies	38,946
Public Safety	Fire	Services and Supplies	2,677

The overage related to capital outlay, principal, and interest are related to the implementation of GASB 96, *Subscription-Based Information Technology Arrangements,* which required a noncash recognition of capital outlays and an other financing source. Other overages were covered by cost savings in other categories or with greater than anticipated revenues.

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date December 31,	**2014**	**2015**	**2016**
A. Total pension liability			
Service Cost	$ 1,370,530	$ 1,535,928	$ 1,646,661
Interest (on the Total Pension Liability)	1,983,761	2,177,527	2,307,773
Difference between expected and actual experience	(10,973)	(226,332)	(95,490)
Changes of assumptions	-	196,596	-
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)	(649,521)
Net change in total pension liability	2,692,726	3,018,466	3,209,423
Total pension liability - beginning	27,979,470	30,672,196	33,690,662
Total pension liability - ending (a)	$30,672,196	$33,690,662	$36,900,085
B. Plan fiduciary net position			
Contributions - employer	$ 1,070,712	$ 1,187,926	$ 1,229,404
Contributions - employee	588,766	625,694	651,959
Net investment income	1,407,343	39,833	1,903,485
Benefit payments, including refunds of employee contributions	(650,592)	(665,253)	(649,521)
Administrative expense	(14,690)	(24,263)	(21,492)
Other	(1,208)	(1,197)	(1,158)
Net change in plan fiduciary net position	2,400,331	1,162,740	3,112,677
Plan fiduciary net position - beginning	24,595,321	26,995,652	28,158,392
Plan fiduciary net position - ending (b)	$26,995,652	$28,158,392	$31,271,069
C. Net pension liability - ending (a) - (b)	$ 3,676,544	$ 5,532,270	$ 5,629,016
D. Plan fiduciary net position as a percentage of total pension liability	88.01%	83.58%	84.75%
E. Covered payroll	$ 8,410,947	$ 8,940,209	$ 9,313,695
F. Net position liability as a percentage of covered payroll	43.71%	61.88%	60.44%

Note: GASB Statement No. 68 requires 10 years of data to be provided in this schedule. As of September 30, 2023, only 9 years are included and additional years will be added in the future as the information becomes available.

2017	2018	2019	2020	2021	2022
$ 1,710,282	$ 1,767,329	$ 1,845,710	$ 1,952,526	$ 1,934,524	$ 1,994,564
2,521,112	2,735,944	2,960,334	3,238,362	3,485,265	3,747,427
(173,461)	(171,841)	352,042	(150,374)	85,730	(72,746)
-	-	89,119	-	-	-
(810,836)	(996,678)	(1,095,988)	(1,267,369)	(1,479,996)	(1,823,342)
3,247,097	3,334,754	4,151,217	3,773,145	4,025,523	3,845,903
36,900,085	40,147,182	43,481,936	47,633,153	51,406,298	55,431,821
$40,147,182	$43,481,936	$47,633,153	$51,406,298	$55,431,821	$59,277,724
$ 1,325,468	$ 1,367,635	$ 1,410,431	$ 1,491,855	$ 1,473,715	$ 1,548,337
680,226	706,528	739,552	784,597	760,768	784,820
4,336,041	(1,102,494)	5,684,242	3,300,738	6,229,854	(3,997,474)
(810,836)	(996,678)	(1,095,988)	(1,267,369)	(1,479,996)	(1,823,342)
(22,461)	(21,292)	(32,086)	(21,335)	(28,787)	(34,539)
(1,138)	(1,112)	(964)	(832)	197	41,216
5,507,299	(47,412)	6,705,188	4,287,654	6,955,750	(3,480,982)
31,271,069	36,778,368	36,730,956	43,436,144	47,723,798	54,679,548
$36,778,368	$36,730,956	$43,436,144	$47,723,798	$54,679,548	$51,198,566
$ 3,368,814	$ 6,750,980	$ 4,197,009	$ 3,682,500	$ 752,273	$ 8,079,158
91.61%	84.47%	91.19%	92.84%	98.64%	86.37%
$ 9,717,511	$10,093,257	$10,565,024	$11,208,528	$10,868,111	$11,211,713
34.67%	66.89%	39.73%	32.85%	6.92%	72.06%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF PENSION CONTRIBUTIONS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Fiscal Year Ended September 30,	**2014**	**2015**	**2016**
Actuarial determined contribution	$1,049,673	$1,163,130	$ 1,258,570
Contributions in relation to the actuarially determined contribution	1,049,673	1,163,130	1,258,570
Contribution deficiency (excess)	-	-	-
Covered payroll	8,329,839	8,859,846	9,517,623
Contributions as a percentage of covered payroll	12.60%	13.13%	13.22%

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 Years (longest amortization ladder)
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information There were no benefit change during this year.

2017	2018	2019	2020	2021	2022	2023
$ 1,303,201	$1,362,529	$ 1,238,128	$1,427,239	$1,464,895	$1,543,894	$1,646,871
1,303,201	1,362,529	1,238,128	1,427,239	1,464,895	1,543,894	1,646,871
-	-	-	-	-	-	-
9,628,107	10,031,460	9,235,981	10,715,294	10,859,779	11,235,379	11,743,372
13.54%	13.58%	13.41%	13.32%	13.49%	13.74%	14.02%

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Measurement Date December 31,	**2017**	**2018**
A. Total OPEB liability		
Service Cost	$ 16,520	$ 20,187
Interest (on the Total OPEB Liability)	11,181	11,678
Difference between expected and actual experience	-	(3,782)
Changes of assumptions	29,489	(27,003)
Benefit payments, including refunds of employee contributions	(1,944)	(2,019)
Net change in Total OPEB liability	55,246	(939)
Total OPEB liability - beginning	288,493	343,739
Total OPEB liability - ending	$ 343,739	$ 342,800
B. Covered-employee payroll	$ 9,717,511	$ 10,093,257
C. Total OPEB liability as a percentage of covered-employee payroll	3.54%	3.40%

Notes to Schedule:

- No assets are accumulated in a trust for the SDB plan to pay related benefits that meets the criteria in paragraph 4 of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

- This schedule is required to have 10 years of information. As of September 30, 2023, only 6 years are included and additional years will be added in the future as the information becomes available.

- Changes of assumptions generally includes the annual change in the municipal bond index rate.

2019	2020	2021	2022
$ 17,961	$ 24,659	$ 29,344	$ 32,514
13,012	12,195	10,917	10,360
(8,636)	(5,753)	(33,522)	(35,262)
69,216	73,902	17,123	(190,168)
(2,113)	(2,242)	(7,608)	(8,969)
89,440	102,761	16,254	(191,525)
342,800	432,240	535,001	551,255
$ 432,240	$ 535,001	$ 551,255	$ 359,730
$ 10,565,024	$ 11,208,528	$ 10,868,111	$ 11,315,133
4.09%	4.77%	5.07%	3.18%

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COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Corps Leased Parks Fund – This fund is used to account for the operations of Corp Leased Parks. Park admission and usage fees charged to patrons are committed to finance operations.

Public Safety Fund – This fund accounts for funds received from local, state and federal sources for the purpose of supporting the City's Police and Fire programs.

Municipal Court Building Security Fund – The security building fund provides for the collection of court fees with each fine that is to be utilized for the security of the court. Expenditures are restricted to security systems, bailiffs, metal detectors, locks, electronic identification systems, etc.

Municipal Court Technology Fund – The state legislature has allowed for the creation of a Municipal Court Technology Fund to defray the costs related to technology in the court system. This fund accounts for the collection of technology fees charged to defendants for misdemeanor offences as a cost of court. These funds will be used to purchase software, PCs and any other technology items needed for the court.

Utility Drainage Fund – This fund is used to account for fees collected for the purpose of improving, upgrading and maintaining the City's drainage system. The City is mandated by the Texas Commission on Environmental Quality (TCEQ) to develop and maintain a Storm Water Management Plan in order to address capacity and quality issues and protect its residents and their properties from possible flooding and pollution problems. Drainage fees are collected by residents to fund the activities required to comply TCEQ regulations.

PEG Fee Fund – This fund is used to account for public, educational, and governmental (PEG) fees charged to cable users, which are restricted for the City's PEG channel.

Community Development Corporation – is used typically funded from serial bond proceeds, legally authorized debt instruments issued for specific projects, or funds from settlements or assessments that correspond to capital projects.

Debt Service Fund – is utilized to account for the accumulation of financial resources for, and the payment of general long-term debt principal, interest, and related costs arising from general obligation bonds.

Capital Projects Fund – is used to account for financial resources to be used for the acquisition or construction of capital improvements (other than those financed by proprietary funds). Such resources are derived from proceeds of general obligation debt, other sources designated for capital improvements and interest earned on such monies.

Park Development Fund – This fund accounts for development fees charged to property developers, which are committed for development and maintenance of City parks.

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

SEPTEMBER 30, 2023

	Special Revenue			
	Corps Leased Parks	Public Safety	Municipal Court Building Security	Municipal Court Technology
ASSETS				
Cash and investments	$1,105,354	$ 53,306	$ 47,512	$ 14,733
Receivables:				
Taxes	-	-	-	-
Other	8,759	-	-	-
Total assets	1,114,113	53,306	47,512	14,733
LIABILITIES				
Accounts payable	31,846	2,629	-	-
Accrued liabilities	7,324	2,176	-	-
Unearned revenue	67,000	-	-	-
Total liabilities	106,170	4,805	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	-	-	-	-
Total deferred inflows of resources	-	-	-	-
FUND BALANCES				
Restricted for:				
Debt service	-	-	-	-
Community development	-	-	-	-
Public safety - law enforcement operations	-	48,501	47,512	14,733
Utility drainage operations	-	-	-	-
Public broadcasting	-	-	-	-
Committed - park development and maintenance	1,007,943	-	-	-
Total fund balances	1,007,943	48,501	47,512	14,733
Total liabilities, deferred inflows of resources, and fund balances	$1,114,113	$ 53,306	$ 47,512	$ 14,733

Special Revenue				Capital Projects	Total
Utility Drainage	PEG Fee	Community Development Corporation	Debt Service	Park Development	Nonmajor Governmental Funds
$ 323,779	$ 160,070	$ 1,114,224	$ 133,510	$ 86,219	$ 3,038,707
-	-	314,335	21,073	-	335,408
-	6,697	90	-	-	15,546
323,779	166,767	1,428,649	154,583	86,219	3,389,661
38,260	462	36,505	-	-	109,702
12,064	-	17,114	-	-	38,678
-	-	13,058	-	-	80,058
50,324	462	66,677	-	-	228,438
-	-	-	21,073	-	21,073
-	-	-	21,073	-	21,073
-	-	-	133,510	-	133,510
-	-	1,361,972	-	-	1,361,972
-	-	-	-	-	110,746
273,455	-	-	-	-	273,455
-	166,305	-	-	-	166,305
-	-	-	-	86,219	1,094,162
273,455	166,305	1,361,972	133,510	86,219	3,140,150
$ 323,779	$ 166,767	$ 1,428,649	$ 154,583	$ 86,219	$ 3,389,661

CITY OF HIGHLAND VILLAGE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Special Revenue			
	Corps Leased Parks	Public Safety	Municipal Court Building Security	Municipal Court Technology
REVENUES				
Taxes	$ -	$ -	$ -	$ -
Licenses, permits and fees	628,429	-	3,402	2,791
Intergovernmental	-	45,065	-	-
Investment earnings	18,971	-	-	-
Total revenues	647,400	45,065	3,402	2,791
EXPENDITURES				
Current:				
General government:				
Finance	-	-	-	3,600
Public safety:				
Police	-	52,546	-	-
Fire	-	2,677	-	-
Community services:				
Streets and drainage	-	-	-	-
Parks and recreation	409,489	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	409,489	55,223	-	3,600
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	237,911	(10,158)	3,402	(809)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	(18,307)	-	-
Total other financing sources and uses	-	(18,307)	-	-
NET CHANGE IN FUND BALANCES	237,911	(28,465)	3,402	(809)
FUND BALANCES, BEGINNING	770,032	76,966	44,110	15,542
FUND BALANCES, ENDING	$ 1,007,943	$ 48,501	$ 47,512	$ 14,733

Special Revenue				Capital Projects	Total
Utility Drainage	PEG Fee	Community Development Corporation	Debt Service	Park Development	Nonmajor Governmental Funds
$ -	$ -	$ 1,805,877	$ 2,110,623	$ -	$ 3,916,500
506,041	29,403	62,664	-	-	1,232,730
-	-	-	-	-	45,065
9,625	-	37,053	21,737	3,818	91,204
515,666	29,403	1,905,594	2,132,360	3,818	5,285,499
-	6,687	-	-	-	10,287
-	-	-	-	-	52,546
-	-	-	-	-	2,677
575,290	-	-	-	-	575,290
-	-	557,416	-	-	966,905
-	-	-	1,600,000	-	1,600,000
-	-	-	1,029,901	-	1,029,901
-	-	71,226	-	-	71,226
575,290	6,687	628,642	2,629,901	-	4,308,832
(59,624)	22,716	1,276,952	(497,541)	3,818	976,667
16,000	-	-	537,581	-	553,581
(16,000)	-	(565,581)	-	-	(599,888)
-	-	(565,581)	537,581	-	(46,307)
(59,624)	22,716	711,371	40,040	3,818	930,360
333,079	143,589	650,601	93,470	82,401	2,209,790
$ 273,455	$ 166,305	$ 1,361,972	$ 133,510	$ 86,219	$ 3,140,150

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	$2,106,550	$ 2,106,550	$2,110,623	$ 4,073
Investment earnings	15,000	15,000	21,737	6,737
Total revenues	2,121,550	2,121,550	2,132,360	10,810
EXPENDITURES				
Debt service:				
Principal	1,600,000	1,600,000	1,600,000	-
Interest and other charges	1,031,130	1,031,130	1,029,901	1,229
Total expenditures	2,631,130	2,631,130	2,629,901	1,229
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(509,580)	(509,580)	(497,541)	12,039
OTHER FINANCING SOURCES (USES)				
Transfers in	537,581	537,581	537,581	-
Total other financing sources and uses	537,581	537,581	537,581	-
NET CHANGE IN FUND BALANCE	28,001	28,001	40,040	12,039
FUND BALANCE, BEGINNING	93,470	93,470	93,470	-
FUND BALANCE, ENDING	$ 121,471	$ 121,471	$ 133,510	$ 12,039

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CORPS LEASED PARKS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 665,550	$ 665,550	$ 628,429	$ (37,121)
Investment earnings	30	30	18,971	18,941
Total revenues	665,580	665,580	647,400	(18,180)
EXPENDITURES				
Parks and recreation:				
Personnel	222,990	222,990	193,216	29,774
Services and supplies	458,841	458,841	216,273	242,568
Capital outlay	55,000	55,000	-	55,000
Total expenditures	736,831	736,831	409,489	327,342
NET CHANGE IN FUND BALANCE	(71,251)	(71,251)	237,911	309,162
FUND BALANCE, BEGINNING	770,032	770,032	770,032	-
FUND BALANCE, ENDING	$ 698,781	$ 698,781	$ 1,007,943	$ 309,162

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Intergovernmental	$ 37,600	$ 37,600	$ 45,065	$ 7,465
Total revenues	37,600	37,600	45,065	7,465
EXPENDITURES				
Public safety:				
Police:				
Services and supplies	13,600	13,600	52,546	(38,946)
Fire:				
Services and supplies	-	-	2,677	(2,677)
Total expenditures	13,600	13,600	55,223	(41,623)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	24,000	24,000	(10,158)	(34,158)
OTHER FINANCING SOURCES (USES)				
Transfer out	(22,000)	(22,000)	(18,307)	3,693
Total other financing sources (uses)	(22,000)	(22,000)	(18,307)	3,693
NET CHANGE IN FUND BALANCE	2,000	2,000	(28,465)	(30,465)
FUND BALANCE, BEGINNING	76,966	76,966	76,966	-
FUND BALANCE, ENDING	$ 78,966	$ 78,966	$ 48,501	$ (30,465)

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT BUILDING SECURITY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 3,000	$ 3,000	$ 3,402	$ 402
Total revenues	3,000	3,000	3,402	402
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	$ 3,000	$ 3,000	$ 3,402	$ 402
FUND BALANCE, BEGINNING	44,110	44,110	44,110	-
FUND BALANCE, ENDING	$ 47,110	$ 47,110	$ 47,512	$ 402

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 2,800	$ 2,800	$ 2,791	$ (9)
Total revenues	2,800	2,800	2,791	(9)
EXPENDITURES				
General government:				
Services and supplies	4,400	4,400	3,600	800
Total expenditures	4,400	4,400	3,600	800
NET CHANGE IN FUND BALANCE	(1,600)	(1,600)	(809)	791
FUND BALANCE, BEGINNING	15,542	15,542	15,542	-
FUND BALANCE, ENDING	$ 13,942	$ 13,942	$ 14,733	$ 791

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
UTILITY DRAINAGE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Licenses, permits and fees	$ 520,000	$ 520,000	$ 506,041	$ (13,959)
Investment earnings	1,500	1,500	9,625	8,125
Total revenues	521,500	521,500	515,666	(5,834)
EXPENDITURES				
Street and drainage:				
Personnel	367,162	367,162	361,294	5,868
Services and supplies	253,635	253,635	213,996	39,639
Capital outlay	70,000	70,000	-	70,000
Total expenditures	690,797	690,797	575,290	115,507
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(169,297)	(169,297)	(59,624)	109,673
OTHER FINANCING SOURCES (USES)				
Transfers in	16,000	16,000	16,000	-
Transfers out	(16,000)	(16,000)	(16,000)	-
Total other financing sources (uses)	-	-	-	-
NET CHANGE IN FUND BALANCE	(169,297)	(169,297)	(59,624)	109,673
FUND BALANCE, BEGINNING	333,079	333,079	333,079	-
FUND BALANCE, ENDING	$ 163,782	$ 163,782	$ 273,455	$ 109,673

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PEG FEE FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
PEG fees	$ 24,000	$ 24,000	$ 29,403	$ 5,403
Total revenues	24,000	24,000	29,403	5,403
EXPENDITURES				
General government:				
Services and supplies	7,000	7,000	6,687	313
Total expenditures	7,000	7,000	6,687	313
NET CHANGE IN FUND BALANCE	17,000	17,000	22,716	5,716
FUND BALANCE, BEGINNING	143,589	143,589	143,589	-
FUND BALANCE, ENDING	$ 160,589	$ 160,589	$ 166,305	$ 5,716

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (GAAP BASIS)
COMMUNITY DEVELOPMENT CORPORATION

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive
	Original	Final	Actual	(Negative)
REVENUES				
Sales tax	$ 1,739,289	$ 1,739,289	$ 1,805,877	$ 66,588
Licenses, permits and fees	85,000	85,000	62,664	(22,336)
Investment earnings	500	500	37,053	36,553
Total revenues	1,824,789	1,824,789	1,905,594	80,805
EXPENDITURES				
Parks and recreation:				
Personnel	331,610	331,610	300,076	31,534
Services and supplies	407,678	407,678	257,340	150,338
Capital outlay	287,000	287,000	71,226	215,774
Total expenditures	1,026,288	1,026,288	628,642	397,646
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	798,501	798,501	1,276,952	478,451
OTHER FINANCING SOURCES (USES)				
Transfer out	(565,581)	(565,581)	(565,581)	-
Total other financing sources (uses)	(565,581)	(565,581)	(565,581)	-
NET CHANGE IN FUND BALANCE	232,920	232,920	711,371	478,451
FUND BALANCE, BEGINNING	650,601	650,601	650,601	-
FUND BALANCE, ENDING	$ 883,521	$ 883,521	$ 1,361,972	$ 478,451

CITY OF HIGHLAND VILLAGE, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PARK DEVELOPMENT FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budget			Variance With Final Budget - Positive (Negative)
	Original	Final	Actual	
REVENUES				
Investment earnings	$ 300	$ 300	$ 3,818	$ 3,518
Total revenues	300	300	3,818	3,518
EXPENDITURES	-	-	-	-
NET CHANGE IN FUND BALANCE	300	300	3,818	3,518
FUND BALANCE, BEGINNING	82,401	82,401	82,401	-
FUND BALANCE, ENDING	$ 82,701	$ 82,701	$ 86,219	$ 3,518

CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

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CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENT FUNDS BY SOURCE

SEPTEMBER 30, 2023

GENERAL CAPITAL ASSETS	
Land	$ 17,183,848
Land improvements	28,814,292
Building and improvements	16,109,709
Equipment	10,494,531
Other capital assets	537,690
Infrastructure	45,891,490
Right to use equipment	1,109,818
Right to use building	365,356
Subscription software	513,893
Construction in progress	950,821
Total general capital assets	$ 121,971,448
INVESTMENT IN GENERAL CAPITAL ASSETS	
Investment in general capital assets acquired prior to October 1, 1990	$ 655,037
General fund	13,905,149
Vehicle replacement fund	670,674
Special revenue funds	23,889,955
Capital project funds	34,952,293
Donations	47,898,340
Total investment in general capital assets	$ 121,971,448

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS BY FUNCTION AND ACTIVITY

SEPTEMBER 30, 2023

Department	Land	Land Improvements	Building Improvements	Equipment
City Manager	$ 430,747	$ -	$ 265,915	$ 54,276
Finance	26,651	-	412,718	489,717
Human Resources	8,812	-	113,185	-
City Secretary	41,479	-	511,673	-
Information services	-	-	-	501,944
Marketing and Communications	-	-	-	35,336
Police	214,495	93,641	2,765,228	1,838,640
Fire	41,800	19,796	4,445,595	3,514,031
Building Operations	8,927	-	142,993	53,340
Streets and Drainage	11,571,913	1,007,401	885,794	1,266,491
Maintenance	65,609	-	775,360	180,489
Drainage Operations	-	29,200	451,842	980,868
Parks and Recreation	4,773,415	27,664,254	5,339,406	1,579,399
Total general capital assets	$ 17,183,848	$ 28,814,292	$ 16,109,709	$ 10,494,531

Other Assets	Infrastructure	Right to Use Equipment	Right to Use Building	Subscription Software	Construction in Progress	Total
$ -	$ -	$ -	$ -	$ -	$ -	$ 750,938
141,029	-	-	-	77,149	-	1,147,264
13,388	-	-	-	53,496	-	188,881
18,447	-	-	-	-	-	571,599
-	-	9,237	-	195,114	-	706,295
-	-	-	-	-	-	35,336
347,369	-	646,067	365,356	188,134	-	6,458,930
-	-	249,767	-	-	-	8,270,989
-	-	65,945	-	-	-	271,205
-	44,955,535	69,042	-	-	877,456	60,633,632
-	-	69,760	-	-	-	1,091,218
-	435,645	-	-	-	-	1,897,555
17,457	500,310	-	-	-	73,365	39,947,606
$ 537,690	$ 45,891,490	$ 1,109,818	$ 365,356	$ 513,893	$ 950,821	$ 121,971,448

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS - CHANGES BY FUNCTION AND ACTIVITY

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Department	Balance September 30, 2022	Additions	Retirements / Transfers	Balance September 30, 2023
City manager	$ 750,938	$ -	$ -	$ 750,938
Finance	1,070,115	77,149	-	1,147,264
Human resources	135,385	53,496	-	188,881
City secretary	571,599	-	-	571,599
Information services	511,181	195,114	-	706,295
Marketing and communications	35,336	-	-	35,336
Police	6,138,921	728,771	408,762	6,458,930
Fire	8,270,989	-	-	8,270,989
Community services	205,260	65,945	-	271,205
Streets and drainage	59,916,796	716,836	-	60,633,632
Maintenance	1,021,458	69,760	-	1,091,218
Drainage operations	1,897,555	-	-	1,897,555
Parks and recreation	38,706,900	1,240,706	-	39,947,606
Total capital assets	$ 119,232,433	$ 3,147,777	$ 408,762	$ 121,971,448

STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City of Highland Village, Texas' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents

	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	80
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue sources, the property tax.	90
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	95
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	102
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.	104

Sources: Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.

CITY OF HIGHLAND VILLAGE, TEXAS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

	2014	2015	2016	2017
Governmental activities:				
Net investment in capital assets	$ 39,860,121	$ 40,160,271	$ 40,067,568	$ 40,453,356
Restricted:				
Debt service	100,918	62,822	59,725	99,242
Community development	533,841	968,043	647,532	106,954
Public safety	94,120	84,158	78,495	87,901
Utility drainage	161,368	165,456	240,467	298,327
Public broadcasting	17,420	30,276	36,094	65,266
Capital projects	-	-	-	-
Unrestricted	3,931,056	2,210,827	2,005,564	3,907,904
Total governmental activities net position	$ 44,698,844	$ 43,681,853	$ 43,135,445	$ 45,018,950
Business-type activities:				
Net investment in capital assets	$ 6,325,308	$ 5,519,051	$ 6,738,242	$ 6,603,211
Restricted:				
Debt service	-	-	-	-
Capital projects	854,369	859,804	883,399	851,976
Unrestricted	3,142,581	2,830,311	2,030,254	1,421,159
Total business-type activities net position	$ 10,322,258	$ 9,209,166	$ 9,651,895	$ 8,876,346
Primary government:				
Net investment in capital assets	$ 46,185,429	$ 45,679,332	$ 46,805,810	$ 47,056,567
Restricted:				
Debt service	100,918	62,822	59,725	99,242
Community Development	533,841	968,043	647,532	106,954
Public safety	94,120	84,158	78,495	87,901
Utility drainage	161,368	165,456	240,467	298,327
Public broadcasting	17,420	30,276	36,094	65,266
Capital projects	854,369	859,804	883,399	851,976
Unrestricted	7,073,637	5,041,138	4,035,818	5,329,063
Total primary government net position	$ 55,021,102	$ 52,891,029	$ 52,787,340	$ 53,895,296

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 40,191,697	$ 41,212,165	$ 40,526,620	$ 40,488,662	$ 39,283,602	$ 38,193,458
-	51,762	72,637	84,716	-	30,298
30,521	86,517	109,677	356,701	650,601	1,361,972
71,002	90,493	88,601	97,342	136,618	110,746
340,814	90,493	333,898	394,943	333,079	273,455
113,692	279,090	118,660	123,564	143,589	166,305
-	152,879	-	-	-	-
3,603,647	2,045,989	3,421,567	4,202,160	5,297,789	7,176,915
$ 44,351,373	$ 43,918,895	$ 44,671,660	$ 45,748,088	$ 45,845,278	$ 47,313,149
$ 6,875,079	$ 6,592,993	$ 6,637,826	$ 7,252,431	$ 6,028,561	$ 5,643,295
-	-	-	-	-	567,777
897,706	1,047,080	1,075,324	1,207,251	1,292,225	1,279,340
2,244,865	2,209,545	2,086,649	1,756,371	4,514,004	6,649,385
$ 10,017,650	$ 9,849,618	$ 9,799,799	$ 10,216,053	$ 11,834,790	$ 14,139,797
$ 47,066,776	$ 47,805,158	$ 47,164,446	$ 47,741,093	$ 45,312,163	$ 43,836,753
-	51,762	72,637	84,716	-	598,075
30,521	86,517	109,677	356,701	650,601	1,361,972
71,002	90,493	88,601	97,342	136,618	110,746
340,814	279,090	333,898	394,943	333,079	273,455
113,692	152,879	118,660	123,564	143,589	166,305
897,706	1,047,080	1,075,324	1,207,251	1,292,225	1,279,340
5,848,512	4,255,534	5,508,216	5,958,531	9,811,793	13,826,300
$ 54,369,023	$ 53,768,513	$ 54,471,459	$ 55,964,141	$ 57,680,068	$ 61,452,946

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
EXPENSES				
Governmental activities:				
General government	$ 4,089,989	$ 4,330,662	$ 4,392,360	$ 4,654,057
Public safety	6,361,961	6,848,781	7,782,368	7,850,784
Community services	389,300	415,562	446,470	495,494
Streets and drainage	3,157,921	2,546,268	2,826,584	2,953,293
Parks and recreation	3,199,066	3,199,678	3,534,661	3,740,883
Interest on long-term debt	887,123	836,051	699,315	605,867
Total governmental activities expenses	18,085,360	18,177,002	19,681,758	20,300,378
Business-type activities:				
Water and wastewater	8,530,306	8,525,158	8,500,825	8,698,522
Total business-type activities expenses	8,530,306	8,525,158	8,500,825	8,698,522
Total primary government program expenses	$ 26,615,666	$ 26,702,160	$ 28,182,583	$ 28,998,900
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General government	$ 349,821	$ 331,895	$ 283,062	$ 294,421
Public safety	291,234	285,879	429,534	527,165
Community services	424,368	388,580	524,273	770,577
Streets and drainage	469,914	474,492	517,450	495,438
Parks and recreation	474,319	474,514	654,906	724,620
Operating grants and contributions	44,048	32,377	44,839	126,776
Capital grants and contributions	1,731,955	1,353,726	221,974	235,846
Total governmental activities program revenues	3,785,659	3,341,463	2,676,038	3,174,843
Business-type activities:				
Charges for services:				
Water and wastewater	8,101,643	7,888,614	8,011,036	8,224,755
Operating grants and contributions	-	-	-	-
Capital grants and contributions	148,467	104,191	911,608	141,554
Total business-type activities program revenues	8,250,110	7,992,805	8,922,644	8,366,309
Total primary government program revenues	$ 12,035,769	$ 11,334,268	$ 11,598,682	$ 11,541,152

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 5,648,223	$ 5,442,819	$ 5,312,238	$ 5,532,530	$ 6,029,386	$ 6,862,074
7,915,283	8,591,670	8,772,628	8,432,376	8,899,370	9,462,729
499,071	469,914	498,662	467,764	374,687	418,562
2,956,194	3,139,410	2,857,021	3,046,868	3,026,367	3,309,502
4,099,709	4,520,227	4,939,557	4,577,551	5,052,548	5,534,709
719,953	694,525	641,904	586,607	1,069,211	840,324
21,838,433	22,858,656	23,022,010	22,643,696	24,451,569	26,427,900
9,195,566	9,226,804	9,247,141	9,880,513	10,445,972	9,997,492
9,195,566	9,226,804	9,247,141	9,880,513	10,445,972	9,997,492
$ 31,033,999	$ 32,085,369	$ 32,269,151	$ 32,524,209	$ 34,897,541	$ 36,425,392
$ 300,258	$ 375,503	$ 281,485	$ 254,697	$ 316,520	$ 330,296
539,212	564,324	572,373	550,275	580,343	982,365
468,954	405,907	319,158	374,704	369,116	396,673
503,839	501,797	508,950	517,494	512,635	506,041
818,946	775,852	900,259	742,041	797,758	875,545
92,883	34,894	959,705	113,234	76,636	359,938
65,314	125,493	141,007	776,828	61,101	34,609
2,789,406	2,783,770	3,682,937	3,329,273	2,714,109	3,485,467
10,036,132	9,112,051	9,439,260	9,552,361	10,722,176	10,705,342
-	-	-	-	1,547,662	1,624,016
686,042	273,105	164,859	1,199,342	215,479	80,830
10,722,174	9,385,156	9,604,119	10,751,703	12,485,317	12,410,188
$ 13,511,580	$ 12,168,926	$ 13,287,056	$ 14,080,976	$ 15,199,426	$ 15,895,655

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN NET POSITION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
NET (EXPENSE) REVENUES				
Governmental activities	$ (14,299,701)	$ (14,835,539)	$ (17,005,720)	$ (17,125,535)
Business-type activities	(280,196)	(532,353)	421,819	(332,213)
Total primary government net expense	(14,579,897)	(15,367,892)	(16,583,901)	(17,457,748)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION				
Governmental activities:				
Taxes				
Property	9,726,985	10,220,940	10,876,727	11,601,454
Franchise	1,720,762	1,722,995	1,658,700	1,626,903
Sales	3,613,216	3,690,787	3,786,900	3,830,637
Unrestricted investment earnings	33,308	36,026	54,786	81,049
Miscellaneous	186,269	122,009	83,908	1,398,997
Transfers	300,000	300,000	(1,709)	470,000
Total governmental activities	15,580,540	16,092,757	16,459,312	19,009,040
Business-type activities:				
Unrestricted investment earnings	15,326	17,104	19,201	26,664
Transfers	(300,000)	(300,000)	1,709	(470,000)
Total business-type activities	(284,674)	(282,896)	20,910	(443,336)
Total primary government	15,295,866	15,809,861	16,480,222	18,565,704
CHANGE IN NET POSITION				
Governmental activities	1,280,839	1,257,218	(546,408)	1,883,505
Business-type activities	(564,870)	(815,249)	442,729	(775,549)
Total primary government	$ 715,969	$ 441,969	$(103,679)	$ 1,107,956

TABLE 2

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ (19,049,027)	$ (20,074,795)	$ (19,339,073)	$ (19,314,423)	$ (21,737,460)	$ (22,942,433)
1,526,608	158,352	356,978	871,190	2,039,345	2,412,696
(17,522,419)	(19,916,443)	(18,982,095)	(18,443,233)	(19,698,115)	(20,529,737)
12,126,314	12,697,424	13,332,678	13,552,545	14,062,081	15,415,395
1,699,608	1,585,246	1,522,345	1,513,527	1,617,664	1,621,744
3,915,696	4,285,659	4,258,100	4,732,971	5,362,527	5,624,837
269,069	410,525	205,714	38,718	235,839	1,041,681
153,919	193,463	303,001	83,090	86,539	236,647
470,000	470,000	470,000	470,000	470,000	470,000
18,634,606	19,642,317	20,091,838	20,390,851	21,834,650	24,410,304
84,696	143,616	63,203	15,064	49,392	362,311
(470,000)	(470,000)	(470,000)	(470,000)	(470,000)	(470,000)
(385,304)	(326,384)	(406,797)	(454,936)	(420,608)	(107,689)
18,249,302	19,315,933	19,685,041	19,935,915	21,414,042	24,302,615
(414,421)	(432,478)	752,765	1,076,428	97,190	1,467,871
1,141,304	(168,032)	(49,819)	416,254	1,618,737	2,305,007
$ 726,883	$(600,510)	$ 702,946	$ 1,492,682	$ 1,715,927	$ 3,772,878

CITY OF HIGHLAND VILLAGE, TEXAS

FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	2014	2015	2016	2017
General Fund				
Nonspendable - prepaid items	$ 1,176	$ 449	$ 251,748	$ 1,250
Assigned	185,104	865,468	1,270,558	2,142,128
Unassigned	4,357,319	4,207,414	3,933,919	5,248,582
Total general fund	$ 4,543,599	$ 5,073,331	$ 5,456,225	$ 7,391,960
All other governmental funds				
Nonspendable - prepaid items	$ -	$ -	$ -	$ -
Restricted, for the purpose of:				
Debt service	168,040	154,343	141,058	161,180
Community development	8,056,884	2,349,085	751,846	106,954
Public safety	94,120	84,158	78,495	87,901
Utility drainage	161,368	165,456	240,467	298,327
Capital projects	641,828	392,061	438,834	45,662
Public Broadcasting	17,420	30,276	36,094	65,266
Committed - parks	106,705	120,422	262,224	501,093
Total all other governmental funds	$ 9,246,365	$ 3,295,801	$ 1,949,018	$ 1,266,383

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 99,008	$ 273,288	$ 75,193	$ 60,030	$ 45,859	$ 30,244
2,011,564	1,829,514	2,042,788	2,031,671	1,531,806	1,384,303
5,440,353	4,552,543	5,834,619	6,177,286	6,651,051	9,008,092
$ 7,550,925	$ 6,655,345	$ 7,952,600	$ 8,268,987	$ 8,228,716	$ 10,422,639
$ -	$ 26,205	$ -	$ -	$ -	$ -
159,489	118,266	126,236	137,976	93,470	133,510
30,521	86,517	109,677	356,701	650,601	1,361,972
71,002	90,493	88,601	97,342	136,618	110,746
340,814	279,090	333,898	394,943	333,079	273,455
6,865,552	5,313,584	3,222,762	2,384,916	15,888,870	14,427,013
113,692	152,879	118,660	123,564	143,589	166,305
263,469	271,466	486,084	668,496	852,433	1,094,162
$ 7,844,539	$ 6,338,500	$ 4,485,918	$ 4,163,938	$ 18,098,660	$ 17,567,163

CITY OF HIGHLAND VILLAGE, TEXAS

CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
REVENUES				
Taxes	$15,066,221	$15,625,989	$16,308,934	$17,060,166
Fines and forfeitures	158,183	124,932	99,082	98,699
Licenses, permits, fees	1,600,992	1,565,929	1,916,752	2,219,095
Intergovernmental	1,651,123	1,435,235	310,519	387,946
Charges for services	252,168	253,851	391,627	485,553
Investment earnings	33,308	36,026	54,786	81,049
Miscellaneous	186,269	122,009	114,448	1,398,997
Total revenues	18,948,264	18,948,264	19,196,148	21,731,505
EXPENDITURES				
General government	3,862,314	4,137,117	4,135,129	4,337,308
Public safety	5,726,860	6,212,042	6,952,405	6,890,116
Community service	378,626	401,541	430,163	455,266
Streets and drainage	1,936,985	1,352,770	1,589,676	1,695,038
Parks and recreation	2,415,834	2,378,196	2,626,904	2,558,767
Debt service:				
Principal	1,815,000	1,955,000	2,176,616	2,263,592
Interest and other	888,597	863,286	716,472	650,698
Capital outlay	3,223,116	8,218,357	3,868,574	2,127,620
Total expenditures	20,247,332	25,518,309	22,495,939	20,978,405
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	$(1,299,068)	$(6,354,338)	$(3,299,791)	$ 753,100
OTHER FINANCING SOURCES (USES)				
Issuance of long-term debt	7,020,000	-	9,235,000	2,435,000
Issuance of leases	-	633,506	250,780	-
Issuance of SBITA's	-	-	-	-
Premium on debt issuance	46,192	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Payments to escrow account	-	-	(7,619,878)	(2,405,000)
Transfers in	1,235,142	1,283,905	2,290,168	2,005,329
Transfers out	(935,142)	(983,905)	(1,820,168)	(1,535,329)
Total other financing sources (uses)	7,366,192	933,506	2,335,902	500,000
NET CHANGE IN FUND BALANCES	$ 6,067,124	$(5,420,832)	$ (963,889)	$ 1,253,100
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES	15.9%	16.6%	15.6%	15.1%

TABLE 4

Fiscal Year					
2018	2019	2020	2021	2022	2023
$17,714,340	$18,557,768	$ 19,066,421	$19,848,434	$21,042,756	$ 22,627,687
109,420	106,281	88,543	76,646	96,291	126,346
2,027,847	1,951,587	1,960,801	1,858,505	1,928,517	2,008,166
139,430	185,872	1,100,712	184,451	121,220	107,251
493,590	539,265	523,347	510,796	565,353	860,254
269,069	410,525	205,714	38,718	235,839	1,220,218
153,919	193,463	303,001	83,090	89,058	236,647
20,907,615	21,944,761	23,248,539	22,600,640	24,079,034	27,186,569
5,456,729	5,089,032	5,175,479	5,495,620	6,058,904	6,499,161
7,181,646	7,560,441	7,910,089	7,999,469	8,663,102	8,367,061
481,472	435,063	494,206	469,944	415,221	421,399
1,739,093	1,880,112	1,617,077	1,771,475	1,750,868	2,003,750
2,831,487	3,146,751	3,514,488	3,222,625	3,748,543	3,916,320
2,118,875	2,060,203	2,200,000	2,250,000	2,189,023	1,832,233
602,713	806,576	648,114	593,000	1,164,263	1,048,357
1,307,067	3,838,232	2,794,537	1,274,100	2,794,861	3,150,107
21,719,082	24,816,380	24,353,990	23,076,233	26,784,785	27,238,388
$ (811,467)	$(2,871,619)	$ (1,105,451)	$ (475,593)	$(2,705,751)	$ (51,819)
6,905,000	-	-	-	24,540,000	-
-	-	-	-	480,023	734,968
-	-	-	-	-	471,892
-	-	-	-	3,115,960	-
-	-	80,124	-	16,165	37,385
173,588	-	-	-	(12,021,946)	-
1,462,380	1,418,615	1,732,905	1,438,662	1,358,614	1,085,888
(992,380)	(948,615)	(1,262,905)	(968,662)	(888,614)	(615,888)
7,548,588	-	550,124	470,000	16,600,202	1,714,245
$ 6,737,121	$(2,401,619)	$ (555,327)	$ (5,593)	$13,894,451	$ 1,662,426
13.3%	13.7%	13.2%	13.0%	14.0%	12.0%

CITY OF HIGHLAND VILLAGE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Fiscal Year	Real Property		Personal Property	Less: Tax-exempt Property
	Residential Property	Commercial Property		
2014	1,461,181,835	263,597,977	60,771,959	90,906,933
2015	1,564,231,925	278,425,113	60,243,887	105,428,441
2016	1,649,565,971	313,545,655	64,490,237	106,266,234
2017	1,760,795,273	312,423,960	63,604,815	120,818,328
2018	1,890,908,720	343,451,978	64,741,269	162,929,317
2019	1,999,631,975	355,044,705	57,843,048	157,124,400
2020	2,073,752,984	385,732,416	63,879,965	165,516,748
2021	2,142,438,774	386,823,420	67,379,496	169,090,538
2022	2,275,429,086	374,330,981	67,886,461	189,221,801
2023	2,763,611,571	395,576,090	72,779,928	405,527,170

Source: Denton County Appraisal District

Note: Estimated total levy is calculated by multiplying the net taxable assessed value by the total direct tax rate per $100 of net taxable assessed value.

Residential: single family, vacant lots, acreage, and farm/ranch and personal.

Commercial: real commercial, personal industrial and utilities.

Net Taxable Assessed Value	Total Direct Tax Rate	Estimated Total Levy
1,694,644,838	0.56963	9,653,205
1,797,472,484	0.56963	10,238,943
1,921,335,629	0.56963	10,944,504
2,016,005,720	0.56963	11,483,773
2,136,172,650	0.56802	12,133,888
2,255,395,328	0.56302	12,698,327
2,357,848,617	0.56302	13,275,159
2,427,551,152	0.56302	13,667,598
2,528,424,727	0.56302	14,235,537
2,826,440,419	0.54683	15,455,683

TABLE 6

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

LAST TEN FISCAL YEARS

	City Direct Rates			Overlapping Rates	
Fiscal Year	Operating/ General Rate	Debt Service Rate	Total Direct Rate	Lewisville Independent School District	Denton County
2014	0.46129	0.10834	0.56963	1.47700	0.28491
2015	0.46999	0.09964	0.56963	1.47700	0.27220
2016	0.47817	0.09146	0.56963	1.47673	0.26220
2017	0.48279	0.08684	0.56963	1.42000	0.24840
2018	0.49706	0.07096	0.56802	1.40750	0.23781
2019	0.47979	0.08323	0.56302	1.40750	0.22557
2020	0.47649	0.08653	0.56302	1.33750	0.22528
2021	0.47813	0.08489	0.56302	1.34730	0.22499
2022	0.48264	0.08039	0.56302	1.30850	0.23309
2023	0.47179	0.07503	0.54683	1.23680	0.21754

Source: Denton County Appraisal District

Note: A typical property tax bill would consist of the City, School District and County taxes.

TABLE 7

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

CURRENT YEAR AND NINE YEARS AGO

	2023		2014	
Taxpayer	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value*	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value**
MP Shops at Highland Village, LLC	$ 73,000,000	2.583%	$ -	-
DDR Highland Village, LP	41,051,827	1.452%	-	-
120 Main HV Owner, LP	41,000,000	1.451%	-	-
PS LPT Property Investors	15,000,000	0.531%	-	-
Centro NP Holdings 12 SPE, LLC	12,500,000	0.442%	-	-
ADV Highland Village Property Owner, LLC	11,820,000	0.418%	-	-
Barnett Healthcare Prop, LLC	8,250,000	0.292%	-	-
CoServ Elecrtric Co-Op	7,613,320	0.269%	-	-
Omni Properties, LLC	7,340,618	0.260%	-	-
Bre Thorne Shops at Highland Village, LLC	-	-	61,813,365	3.648%
DDR Highland Village, LP	-	-	37,961,233	2.240%
Wal-Mart Stores Texas, LP	-	-	17,531,612	1.035%
Centro NP Holdings 12 SPE, LLC	-	-	9,865,693	0.582%
HHSG, LLC	-	-	9,445,487	0.557%
Wal-Mart Stores Texas, LP	-	-	8,168,787	0.482%
Barnett Healthcare Prop, LLC	-	-	7,950,000	0.469%
CoServ Elecrtric Co-Op	-	-	4,620,240	0.273%
HSM Highland Point S/C. LTD	-	-	4,400,000	0.260%
HVOS Partners, LP	-	-	4,362,212	0.257%
Total	$ 217,575,765	7.698%	$ 166,118,629	9.803%

Source: Denton county Appraisal District

Notes:

* Total taxable value including real and personal property for tax year 2022 (fiscal year 2023) is $2,826,440,419

** Total taxable value including real and personal property for tax year 2013 (fiscal year 2014) is $1,694,644,828

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TABLE 8

CITY OF HIGHLAND VILLAGE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS

LAST TEN FISCAL YEARS

Fiscal Year Ended	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2014	9,697,513	9,672,999	99.75%	22,001	9,695,000	99.97%
2015	10,201,729	10,176,515	99.75%	18,751	10,195,266	99.94%
2016	10,853,080	10,824,025	99.73%	23,634	10,847,658	99.95%
2017	11,572,279	11,546,650	99.78%	19,452	11,566,102	99.95%
2018	12,140,133	12,099,984	99.67%	33,897	12,133,881	99.95%
2019	12,691,161	12,640,013	99.60%	43,045	12,683,058	99.94%
2020	13,298,601	13,216,040	99.38%	51,091	13,267,131	99.76%
2021	13,513,137	13,460,984	99.61%	(7,245)	13,453,738	99.56%
2022	14,061,893	14,016,319	99.68%	10,236	14,026,555	99.75%
2023	15,391,491	15,325,352	99.57%	-	15,325,352	99.57%

Sources: Denton County appraisal District and Denton County Tax office.

Notes: Tax levy includes adjustments and supplements made to the property roll during the fiscal year.
Delinquent collections do not include penalty and interest.

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE

LAST TEN FISCAL YEARS

	Governmental Activities			
Fiscal Year	General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Leases and Subscriptions	Tax Note
2014	10,880,294	15,080,339	-	-
2015	9,768,359	14,319,664	-	-
2016	9,547,809	12,683,991	-	1,535,000
2017	10,789,888	9,511,276	-	1,420,000
2018	16,395,133	9,354,426	-	1,145,000
2019	15,208,189	8,852,574	-	865,000
2020	13,771,244	8,335,723	-	580,000
2021	12,299,301	7,808,871	-	290,000
2022	18,479,298	15,369,203	-	-
2023	16,840,184	15,194,192	1,590,395	-

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

∗ See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

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Business-type Activities					
General Obligation Bonds	Combination Tax and Revenue Certificates of Obligation	Leases and Subscriptions	Total Primary Government	Percentage of Personal Income*	Per Capita*
4,373,046	9,345,362	-	39,679,041	5.31%	2,572
3,726,715	9,097,385	-	36,912,123	4.70%	2,319
3,070,385	8,839,408	-	35,676,593	4.42%	2,250
6,451,947	4,554,089	-	32,727,200	3.82%	2,044
5,854,297	7,160,379	-	39,909,235	4.54%	2,487
5,140,647	6,933,977	-	37,000,387	3.99%	2,237
4,603,996	6,647,575	-	33,938,538	3.46%	2,036
3,961,346	6,346,172	-	30,705,690	3.16%	1,860
6,753,971	2,610,038	-	43,212,510	4.23%	2,592
6,013,540	2,540,826	808,613	42,987,750	4.02%	2,574

TABLE 10

CITY OF HIGHLAND VILLAGE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING

LAST TEN FISCAL YEARS

Fiscal Year	General Bonded Debt Outstanding					Percentage of Net Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificate of Obligation Bonds	General Bonded Debt Outstanding	Less Debt Service Resources Available	Net General Bonded Debt Outstanding		
2014	15,253,340	24,425,701	39,679,041	168,040	39,511,001	2.33%	2,561
2015	13,495,074	23,417,049	36,912,123	154,343	36,757,780	2.04%	2,310
2016	12,618,194	21,523,399	34,141,593	59,725	34,081,868	1.77%	2,149
2017	17,241,835	14,065,365	31,307,200	99,242	31,207,958	1.55%	1,949
2018	22,249,430	16,514,805	38,764,235	-	38,764,235	1.81%	2,408
2019	20,348,836	15,786,551	36,135,387	51,762	36,083,625	1.60%	2,182
2020	18,375,240	14,983,298	33,358,538	72,637	33,285,901	1.41%	1,997
2021	16,260,647	14,155,043	30,415,690	84,716	30,330,974	1.25%	1,838
2022	25,233,269	17,979,241	43,212,510	-	43,212,510	1.71%	2,592
2023	22,853,725	17,735,017	40,588,742	598,075	39,990,667	1.41%	2,395

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Table 5 for property value data.

See Table 14 for population data.

TABLE 11

CITY OF HIGHLAND VILLAGE, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

AS OF SEPTEMBER 30, 2023

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes			
County of Denton	$ 624,655,000	1.900%	$ 11,868,445
Lewisville Independent School District	1,032,290,000	4.990%	51,511,271
Subtotal overlapping debt			63,379,716
City of Highland Village (direct debt)	33,624,771	100.0%	33,624,771
Total direct and overlapping debt			$ 97,004,487

Sources: Muncipal Advisory Council of Texas

Notes: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Highland Village, Texas. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and therefore responsible for repaying the debt of each overlapping government.

CITY OF HIGHLAND VILLAGE, TEXAS

LEGAL DEBT MARGIN INFORMATION

LAST TEN FISCAL YEARS

	Fiscal Year			
	2014	2015	2016	2017
Debt limit	$ 42,366,121	$ 44,936,812	$ 48,033,391	$ 50,400,143
Total net debt applicable to limit	2,478,463	2,842,629	2,495,691	2,524,780
Legal debt margin	$ 39,887,658	$ 42,094,183	$ 45,537,700	$ 47,875,363
Total net debt applicable to the limit as a percentage of debt limit.	5.85%	6.33%	5.20%	5.01%

Note:

According to The State of Texas Constitution, Article 11, Section 5, provides in part that, "…no tax for any purpose shall ever be lawful for any one year, which shall exceed 2.5% of the taxable property of such city." As a home rule city, the City of Highland Village is not limited in the amount of debt it may issue.

TABLE 12

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	$2,826,440,419
Debt limit ($2.50 per $100 of assessed value)	70,661,010
Debt applicable to limit:	
Tax supported debt	2,628,131
Less: Amount set aside for repayment of general obligation debt	(30,298)
Total net debt applicable to limit	$ 2,597,833

Fiscal Year					
2018	2019	2020	2021	2022	2023
$ 53,404,316	$ 56,384,883	$ 58,946,215	$ 60,688,779	$ 63,210,618	$ 70,661,010
2,386,534	2,679,188	2,772,846	2,755,352	2,868,360	2,597,833
$ 51,017,782	$ 53,705,695	$ 56,173,369	$ 57,933,427	$ 60,342,258	$ 68,063,177
4.47%	4.75%	4.70%	4.54%	4.54%	3.68%

TABLE 13

CITY OF HIGHLAND VILLAGE, TEXAS

PLEDGED REVENUE COVERAGE

LAST TEN FISCAL YEARS

	Water and Wastewater System Revenue Bonds						
		Less:	Net	Debt Service			
Fiscal Year	Total Revenues	Operating Expenses	Available Revenue	Principal	Interest	Total	Coverage
2014	8,116,969	7,284,308	832,661	840,000	398,349	1,238,349	0.67
2015	7,905,718	7,266,680	639,038	860,000	424,163	1,284,163	0.50
2016	8,030,237	7,271,123	759,114	880,000	402,788	1,282,788	0.59
2017	8,251,419	7,503,415	748,004	905,000	332,284	1,237,284	0.60
2018	10,120,828	8,020,025	2,100,803	790,000	286,878	1,076,878	1.95
2020	9,502,463	7,271,982	2,230,481	890,000	336,414	1,226,414	1.82
2021	9,567,425	8,709,583	857,842	915,000	313,139	1,228,139	0.70
2022	10,771,568	9,317,812	1,453,756	960,000	260,859	1,220,859	1.19
2023	11,067,653	8,832,243	2,235,410	735,000	276,709	1,011,709	2.21

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Gross revenues does not include capital contributions or gain on disposal of capital assets. Operating expenses do not include interest, depreciation, or amortization expenses.

TABLE 14

CITY OF HIGHLAND VILLAGE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Calendar Year	Population	Personal Income	Per Capita Personal Income	Unemployment Rate
2014	15,429	747,797,343	48,467	4.2%
2015	15,915	784,959,630	49,322	3.4%
2016	15,859	807,096,228	50,892	3.6%
2017	16,012	855,857,412	53,451	3.1%
2018	16,100	881,539,400	54,754	3.1%
2019	16,537	926,369,666	56,018	2.8%
2020	16,668	980,511,768	58,826	6.6%
2021	16,504	970,864,304	58,826	3.9%
2022	16,670	1,022,137,720	61,316	3.0%
2023	16,700	1,069,334,400	64,032	3.7%

Source: U. S. Census Bureau
Texas Workforce Commission
Bureau of Economic Analysis

Note: Population estimates are based on residential sewer connections.

TABLE 15

CITY OF HIGHLAND VILLAGE, TEXAS

PRINCIPAL EMPLOYERS

CURRENT AND NINE YEARS AGO

	2023	2014
Employer	Employees	Employees
City of Highland Village	100-249	100-249
Lewisville Independent School District	100-249	100-249
Whole Foods Stores	100-249	-
Walmart Supercenter	50-99	50-99
AMC Highland Village 12	50-99	100-249
Hillside Grill	50-99	-
Home Instead Senior Care	50-99	50-99
Re/Max Cross County	50-99	50-99
Rosa's Café & Tortilla Factory	50-99	50-99
TJ Maxx	50-99	50-99
Opsgility LLC	50-99	-
Delta Dental	-	50-99
Ihop Restaurant	-	50-99
Kroger	-	50-99
Patrizio's Restaurant	-	50-99

Source: Texas Workforce Commission

Note: The source of data is legally prevented from obtaining and disclosing the number of employees of specific employers. Accordingly, the number of employees are displayed within a range.

TABLE 16

CITY OF HIGHLAND VILLAGE, TEXAS

FULLTIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

	Fiscal Year									
Function/Program	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
General government										
City manager	2	2	2	2	2	2	2	2	2	2
Finance	13	11	11	10	10	10	11	8	8	8
Human resources	3	3	3	3	3	3	3	3	3	3
City secretary	2	2	2	2	2	2	1	2	2	2
Information aervices	4	4	6	7	7	7	7	7	7	7
Marketing and communications	-	-	-	-	-	-	-	3	3	3
Public safety										
Police	41	44	46	45	45	46	46	46	46	45
Fire	18	19	22	22	22	22	22	22	22	22
Community services	5	5	5	4	4	4	5	4	4	4
Streets and drainage	15	15	14	15	15	15	14	15	15	15
Parks and recreation	17	17	17	17	17	18	18	18	18	18
Water and wastewater	18	18	19	19	19	19	19	19	19	19
Highland Village Community Development Corporation	2	3	3	3	4	4	4	4	4	4
Total	140	143	150	149	150	152	152	153	153	152

Source: Various City departments

Notes: A fulltime employee is scheduled to work 40 hours per week (including vacation and sick leave).

CITY OF HIGHLAND VILLAGE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2014	2015	2016	2017
General government				
Open records requests processed	240	224	281	288
Court cases filed	1,962	1,524	1,782	1,518
Employee turnover (%)	10.70%	7.50%	11.70%	9.00%
Emp safety lost time injuries	2	-	-	-
Technical support tickets closed		1,046	807	774
Community Service				
Inspections performed	2,889	2,946	2,633	4,949
Police				
Reported offenses	262	306	452	609
Arrests	271	281	267	325
Service	4,928	5,164	6,617	6,962
Close patrols	12,492	8,259	6,957	7,193
Traffic citations issued	2,221	1,716	1,352	1,129
Traffic warnings issued	3,008	2,841	2,337	3,010
Motor vehicle accidents	204	162	239	257
Animal impounds	230	172	243	220
Animal care calls	1,554	687	1,413	1,410
Animal registrations	907	690	865	676
Fire				
EMS calls	591	601	602	685
Fires calls	457	493	526	610
Streets and Drainage				
Asphalt (tons)	157	426	716	301
Concrete(yards)	197	270	204	213
Cold patch (lbs)	900	3,575	4,800	30,000
Crack seal (lbs)	-	125	200	18,000
Paint (gal)	3,008	20	30	15
Sod replacement (yards)	250	25	15	86
Saw cuttings (ft.)	28,334	17,832	14,952	12,336
Spoils (yards)	404	961	828	966
Sign Repairs (hours)	98	48	107	42
Work orders completed (Maintenance)	1,903	1,837	1,818	1,821
Total fuel consumption	60,448	55,897	59,198	60,000
Parks and recreation				
Acres of turf mowed	4,931	*	*	*
Parks turf maintenance (hours)			6,525	6,525
Park maintenance (hours)	*	24,012	23,899	23,950
Bags of trash disposed (55 gal)	6,160	8,260	*	*
Trash removal (hours)	*	2,816	2,816	2,920
Recreation/Special Events Participation	22,608	20,288	19,051	29,603
Water				
New connections	16	17	37	26
Field operations work orders completed	9,815	10,675	10,815	10,064
Peak daily consumption	6,929,900	7,500,000	7,500,000	7,500,000
Maximum daily capacity-water productior	7.20MGD	7.20MGD	7.20MGD	7.2MGD
Number of gallons pumped	1,044,346,300	1,056,000,000	991,177,900	928,836,200
Number of gallons sold	934,653,200	1,008,000,000	931,105,700	888,844,700
Wastewater				
Wastewater work orders completed	4,156	4,867	4,740	4,378
Wastewater gallons pumped	381,156,000	604,500,000	572,924,000	425,469,000

Source: Various City departments

* Not available

Fiscal Year					
2018	2019	2020	2021	2022	2023
277	319	414	523	646	561
1,547	1,528	1,072	803	1,019	940
7.10%	9.60%	14.00%	11.50%	8.90%	10.80%
1	-	-	1	1	2
747	829	854	936	746	797
4,313	3,608	3,878	3,174	3,282	3,700
565	518	506	551	545	537
272	304	173	160	171	203
6,221	6,520	6,141	5,988	6,543	6235
13,729	15,202	15,530	13,027	13,288	13,460
1,128	1,280	780	838	807	905
3,217	3,989	2,019	1,627	2,535	2,941
261	260	211	246	264	215
187	227	114	139	152	180
1,252	1,489	1,160	951	812	887
620	571	481	*	*	*
682	745	758	820	948	963
587	624	525	748	405	658
227	640	582	255	176	250
622	136	815	464	537	185
25,000	51,720	63,000	41,000	26,800	11,000
14,406	9,000	11,250	20,254	17,640	12,260
56	92	138	68	92	54
261	100	394	13	13	10
16,957	15,520	14,967	10,271	10,695	11,424
124	807	575	378	100	86
80	110	52	32	30	54
1,809	1,813	1,816	1,810	1,780	1,650
57,000	61,000	60,600	63,600	62,300	68,000
*	*	*	*	*	
6,525	9,267	8,168	2,684	3,958	4,579
23,950	22,067	21,206	24,133	12,815	17,290
*	*	*	*	*	
2,920	2,086	1,843	1,713	1,412	1,382
29,003	25,560	3,916	14,666	15,567	9,405
13	16	35	38	24	4
9,370	10,544	15,419	15,813	10,894	18,148
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
7.2MGD	7.2MGD	7.2MGD	7.2MGD	7.2MGD	7.2MGD
995,892,200	813,644,189	982,601,900	982,151,700	1,159,279,600	1,192,950,600
1,017,767,600	765,360,700	957,911,500	891,998,300	1,074,740,900	1,100,176,700
4,785	4,803	4,957	1,170	4,919	4,910
411,460,879	447,811,593	495,967,000	466,988,000	351,455,130	402,829,000

CITY OF HIGHLAND VILLAGE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Function/Program	Fiscal Year 2014	2015	2016	2017
General Government				
City area (in miles)	6.38	6.38	6.38	6.38
Police				
Stations	1	1	1	1
Fire				
Stations	1	1	1	1
Streets and Drainage				
Streets (miles)	200.0	200.0	200.0	200.0
Traffic signals	3	3	3	3
Parks and recreation				
Acres of parks	318	318	318	318.2
Trail system (linear miles)	11.7	11.7	12.7	12.7
Water				
Number of meters in service	5,439	5,456	5,483	5,521
Water mains (in miles)	98	99	100	100
Fire hydrants	780	780	811	815
Wastewater				
Storm sewers (miles)	24	25	25	25
Sanitary sewers (miles)	98	98	99	99
Sewer connections	5,235	5,253	5,276	5,307

Source: Various City departments

Fiscal Year					
2018	2019	2020	2021	2022	2023
6.38	6.38	6.38	6.38	6.38	6.38
1	1	1	1	1	1
1	1	1	1	1	1
200.03	200.03	200.03	200.03	200.03	200.03
393	393	393	393	329	329
12.7	12.7	12.7	12.7	13.0	13.0
5,536	5,523	5,579	5,692	5,738	5,735
102	102	103	104	105	105
825	825	821	823	836	836
25	25	26	27	27	27
100	100	101	102	103	103
5,325	5,389	5,436	5,614	5,667	5,509

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